

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672  
11101 SENATE COMMUNITY & REGIONAL AFFAIRS

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**Senator Gary Stevens**  
**Alaska State Legislature**

INTERIM ADDRESS:  
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Kodiak, Alaska 99615  
(907) 486-4925  
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Rec: 1/16/04

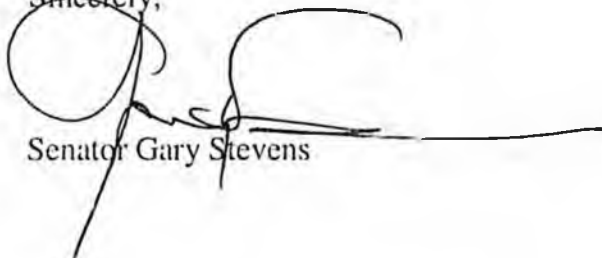
**Memorandum**

DT: January 16, 2004  
TO: Senator Bert Stedman  
Senate Community and Regional Affairs Committee  
FR: Senator Gary Stevens  
RE: SB 250

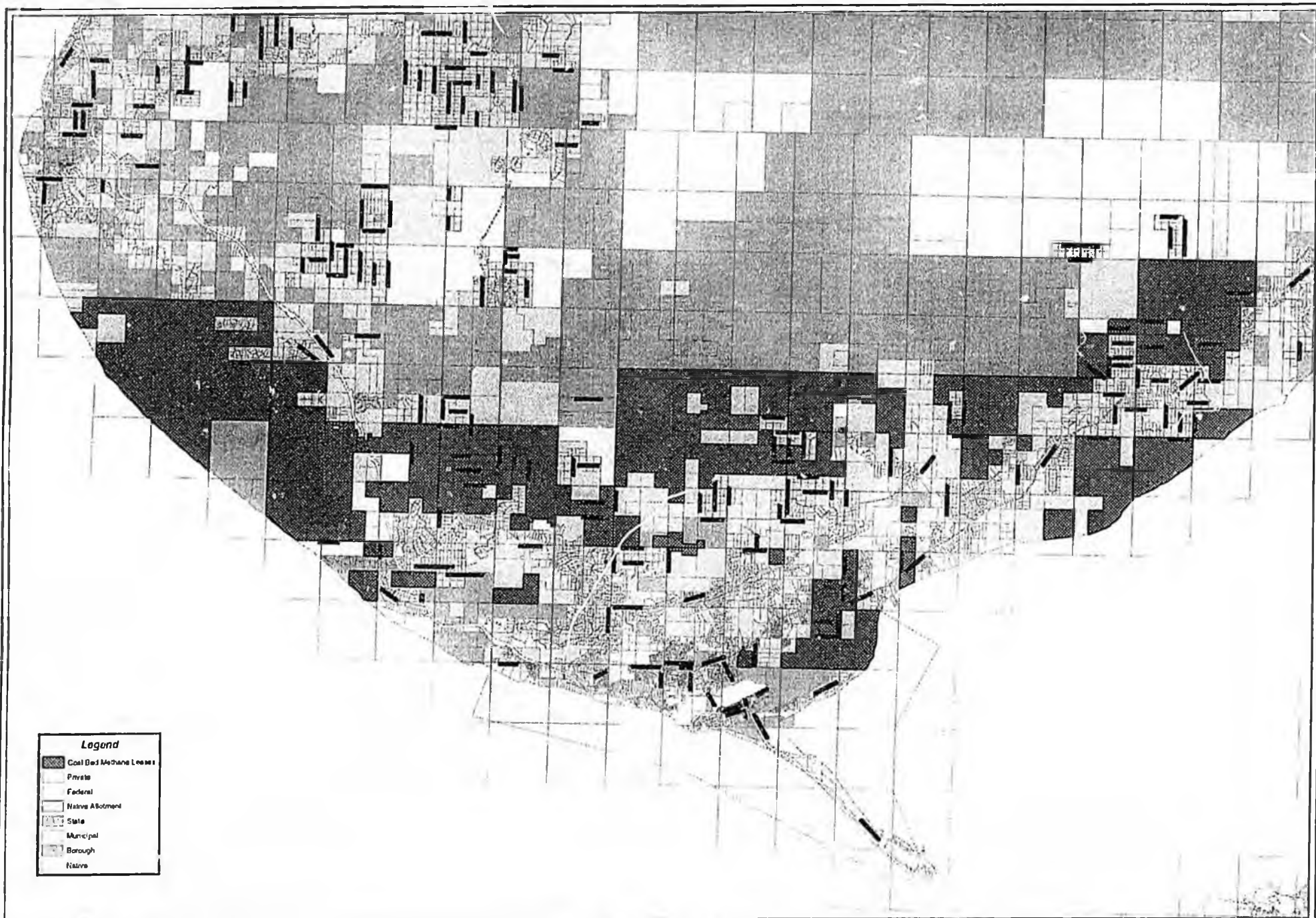
I would like to request a committee hearing at your earliest convenience on Senate Bill 250 "An Act establishing a moratorium on the issuance of state shallow natural gas leases in the vicinity of Kachemak Bay, and directing the commissioner of natural resources to reacquire shallow natural gas leases on the Kenai Peninsula within the moratorium area; and providing for an effective date."

Thank you for your consideration of this request.

Sincerely,



Senator Gary Stevens



**Legend**

- Coal Bed Methane Leases
- Private
- Federal
- Native Allotment
- State
- Municipal
- Borough
- Native

Kona Peninsula Borough  
GIS Division

### COAL BED METHANE LEASES



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SEPTEMBER 25, 003



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Who will pay for buybacks? What peninsula priority will be sacrificed?  
*Enough rhetoric on gas leases*

**Sen. Tom Wagoner**  
*Voices Of The Peninsula*

The rhetoric about shallow gas drilling in the Matanuska-Susitna Borough and the Kenai Peninsula Borough has escalated to the point where some background information for rational discussion of the issue is required. I'm especially concerned about four areas: history, public notice, local planing and state interests vs. private interests.

History: Most of the resources (surface and subsurface) are owned by the state of Alaska. In fact, that was a primary concern when the Alaska Statehood Act was being debated. It was decided that in order for this new, remote, sparsely populated state to be able to govern and provide for itself, it needed resources for financial stability.

Alaska was allowed to select more than 100 million acres of land as an economic base for the new state. It was granted the right to all minerals underlying these sections and, in fact, is required to retain this mineral interest when conveying interests in the surface estate. If it fails to do so, the rights revert to the federal government.

These mineral interests support the permanent fund dividend check that each Alaskan gets annually. It's the subsurface mineral rights in the entire state, not just those in Prudhoe Bay, that fuels the divided program for all Alaskans.

Public notice: The noticc process is being used as a basis for requesting a lease buyback for the southern peninsula. In the Mat-Su, criticism from local entities included allegations regarding Insufficient notice to allow for comment. Criticism on the southern peninsula included allegations that citizens were unaware of the state's interests.

In 1996, the state's Lease Sale 85A in Cook Inlet offered lands in which the state owned surface and subsurface estate and lands in which the state owned only the subsurface while surface rights were owned privately or owned by a municipality. The lease sale affected the southern peninsula and was widely debated, published and noticed.

The Cook Inlet Areawide Plan, completed in 1999, also was widely debated, published and noticed. It is the basis of lease sales for 10 years under a program initiated by former Gov. Tony Knowles.

Perhaps people who have just moved to the Homer area were unaware of these mineral holdings, but I can't imagine anyone else saying they didn't know they didn't own the subsurface rights to their

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saying they didn't know they didn't own the subsurface rights to their land < at least not with a straight face. Public notice was provided on Lease Sale 85A and the Cook Inlet Areawide Plan via the Anchorage Daily News, the Peninsula Clarion and the Homer News.

I asked the Division of Oil and Gas to provide a brief outline of its process for the recent shallow natural gas lease program. Here's the outline (note the Peninsula Clarion was involved because the lease area included Nikiski, not just the southern peninsula):

The original shallow natural gas applications received in February 2000 for the Mat-Su and the Kenai Peninsula required a 60-day comment period under AS 38.05.177 and 38.05.945 (specifically, one day in a newspaper of statewide circulation and one day in a newspaper in the area affected) and a full Alaska Coastal Management Program review.

The public notice that was issued was a combined notice for the purposes of the comment period and the coastal management review. It was published in the Anchorage Daily News, the Frontiersman and the Peninsula Clarion.

Additional requests for comments, postmaster letters, etc. also were sent out. The public notice also was posted on the division, department and state Web sites.

The division actually added an additional step in the review process by circulating a draft Alaska Coastal Management Program consistency analysis and director's decision to all who had commented in the original notice process. This additional step was done as this was a new program that had not gone through the coastal management process before.

I point out that those notices also were sent to numerous individuals and entities, and included the Kenai Peninsula Borough, the Mat-Su Borough and the mayors of the cities within those boroughs.

Local planning: As a former mayor, I am particularly offended by allegations that the local planning and zoning authority was preempted with House Bill 69.

Further, assertions that it was "rushed through" the Senate are patently absurd. The record clearly shows that it was referred to the Senate Resources Committee on Feb. 14 and passed out of that committee on March 28.

I chaired the final hearing before Resources, and I also was involved in the language that was inserted regarding the local planning authority. The Alaska Municipal League had expressed concerns with the language in the draft bill and so I had my staff prepare an amendment for inclusion in the bill.

The amendment used language in existing statute (AS 35.30.030) and says, quite simply, that if the Department of Natural Resources clearly demonstrates an overriding state interest, waiver of local compliance requirements may be granted by the commissioner.

Quite frankly, my understanding was that the Alaska Municipal League was in contact with the affected municipalities, including the Mat-Su Borough, and that they supported by amendment as opposed to the previous draft language. I obviously did not find it to be onerous.

I'm certain that some municipalities would prefer to have no state involvement, but that is simply not acceptable. My own borough

assembly has suggested by passage of Resolution 2003-129 that the Kenai Peninsula Borough is better equipped than the state to handle this type of development. I find that to be an intriguing concept from a second-class borough that has no zoning authority.

Let's talk about local control. I'm confident that if we left the good people in the Homer area in charge, they would never provide for this resource that benefits all of us < including them.

Instead, they want to have their peninsula neighbors (Nikiski, Kasilof, Ninilchik, etc.) as well as other areas of the state to take any risk and then share in the benefit of the tax base generated by those risks.

Oh, and still take their permanent fund divided check, of course.

State interests vs. private interests: As I mentioned before, House Bill 69 includes language based on an existing statute that provides for a waiver of local requirements when there is an overriding state interest.

This language complies with the Alaska Constitution, Article VIII, Section 2, which states the Legislature shall provide for the utilization, development and conservation of all natural resources belonging to the state, including land and waters for the maximum benefit of its people.

The Constitution also states in Article VIII, Section 16, that no person shall be involuntarily divested of his interests in lands or improvements affecting either except for a superior beneficial use or public purpose and then only with just compensation.

For those of you who have taken the time to read this missive, I thank you.

My concern about this matter is great. As I stated before, my own assembly saw fit to support a resolution in support of buying back the leases in the southern peninsula. I'm ashamed of that resolution and applaud the three members who refused to be muscled: Gary Superman, Grace Merkes and Paul Fischer.

There is a simple question to be asked now: Who is going to pay for these buybacks? Which project that is on the Kenai Peninsula's priority list is going to be removed to let this new priority take its place?

Here's a suggestion: Perhaps those people who support the buybacks should step forward and turn in their permanent fund dividend checks.

Sen. Tom Wagoner is a Republican who lives in Kenai. He represents District Q in the state Senate. He was elected to the Senate in 2002.

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# Alaska State Legislature

2/4 By Fax

Senator Stedman	
Rec on:	2/9
Read	Copy
SENATOR	
COMMITTEE NAME	MILES
IAN	
TODAY'S DATE	
Note:	

Please enter into the record by testimony to the

SCRA

committee on

SB 250  
BILL SUBJECT

, dated

2/4/04

- 1) Sen. Stevens neglected to remind the committee of the Bradley Lake's power generating facility when noting the southern peninsula's contribution to Alaska's economy.
- 2) If these leases were let to benefit the local community's access to energy resources, why wasn't there a regulatory framework to protect said community devised before leasing [for basically no commitment by the lessee]?
- 3) The southern peninsula doesn't currently have access to natural gas. So would the state's royalties from these leases cover the infrastructure required to deliver this new "benefit" to said rural community?

Signed: JOE MILES  
 TESTIFIER

myself  
 REPRESENTING

PO Box 15393 Homer 99603  
 ADDRESS

PHONE NO.



2/4 by Fax

# Alaska State Legislature

Senator Stedman	
Rec on:	2/9
Read	Copy
COMM	REF
DATE	
TODAY'S DATE	
DICK	
Note:	

Please enter into the record by testimony to the

Community + Regional Affairs

committee on SB 250  
BILL / SUBJECT

, dated 2/4/01

I Totally reject The disingenous ASSERTION  
 By DNR Spoksmen THAT #1: The Leasing of  
 Coal Bed Methane is in The best intrest of The  
 STATE, in THAT he himself STATED THAT The program  
 was Designed To operate AT A LOSS.

#2 The PROGRAMS purpose is to help community's  
 Develop LOCAL resources. since The communities  
 Are Barred From The review process.

IT WAS ME THAT BROUGHT TO THE ATTENTION OF GOV.  
 HICKEL, AND THE CITIZENS OF ALASKA THAT COOK INLET  
 RIGS HAD A WAIVER of EXISTING EPA REQUIREMENTS  
 IN THE DUMPING OF DRILLING MUDS.  
 IS THIS WHAT WE CAN EXPECT FROM DNR TO CLAIM  
 IS IN THE BEST INTREST OF THE STATE.

Or IT'S CITIZENS.

Signed:

Joseph H. Fletcher Joseph Fletcher

TESTIFIER

CITIZEN

REPRESENTING

4852 Clover Lane, Homer, 99603

ADDRESS

PHONE NO.

**Subject: SB 250 hearing on 2/4/04**

**Date:** Tue, 3 Feb 2004 21:34:03 -0800 (PST)

**From:** emily emily <inletchicke@yahoo.com>

**To:** Senator\_Bert\_Stedman@legis.state.ak.us, Senator\_Thomas\_Wagoner@legis.state.ak.us,  
Senator\_Gary\_Stevens@legis.state.ak.us, Senator\_Kim\_Elton@legis.state.ak.us,  
Senator\_Georgianna\_Lincoln@legis.state.ak.us

Chair: Senator Bert Stedman

Vice Chair: Senator Thomas Wagoner

Members: Senator Gary Stevens

Member: Senator Kim Elton

Member: Senator Georgianna Lincoln

To the members of the Senate Community and Regional Affairs Committee:

We are disappointed that the public is not allowed to give testimony for this hearing on SB 250, but we're hopeful that we will have an opportunity to testify in the near future. The lack of public notice and participation is the reason we are asking for a buyback of the coal bed methane leases in the Homer area.

Our property's subsurface was leased without our knowledge, and we understand the concept of split estate, but what is frustrating is that there was no notice in the local papers. We never had the opportunity to submit comments regarding the lease sale, and neither did anyone else in Homer. We are worried about what CBM development would do to our property - the aesthetics, quality of life, and value of the land.

Luckily, we don't have a well, but we do have a cistern, which is filled with city water. Because the city reservoir is also in the leased area, we are especially concerned with what CBM development would do to the water quality as well as to the supply. Will it be safe to drink? Will the city experience water shortages so that they will start prohibiting water delivery to cisterns? Without regulations in place yet, we have great concern for the future of our personal water supply.

A buyback of the leases as proposed in SB 250 is the way to start the process over and do it right. Please pass this bill on for consideration by the next committee, or please allow testimony from the public. Thank you for your attention to this matter.

Sincerely,

Emily and Robert Ward

PO Box 2672

Homer, AK 99603

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**Subject: SB 250**

**Date:** Tue, 03 Feb 2004 21:59:59 -0900

**From:** Anne Wieland <agpacsu@xyz.net>

**To:** <Senator\_Bert\_Stedman@legis.state.ak.us>

**CC:** <Senator\_Thomas\_Wagoner@legis.state.ak.us>, <Senator\_Gary\_Stevens@legis.state.ak.us>, <Senator\_Kim\_Elton@legis.state.ak.us>, <Senator\_Georgianna\_Lincoln@legis.state.ak.us>

Dear Senator Stedman and members of the Community and Regional Affairs Committee,

I was shocked and outraged to find that the subsurface estate under my Homer residence and lot across the street as well as those of many neighbors had been leased for Coal Bed Methane extraction totally without our knowledge through public notice. What has happened to the democratic process? This is reminiscent of how the Communists seized part of my grandfather's property in eastern Europe in the 1940's.

It is also disturbing to me that the CRA Committee has not opened this hearing to public input. I hope that in the future you will make it possible for us to testify.

These Homer properties are my most valuable asset and will some day be my childrens'. If they choose to sell them, who will want to purchase them with such liens as these leases against them? We have heard of cases in the South 48 where property values declined when CBM came to town. If our values decline, the Kenai Peninsula Borough stands to lose taxes in a situation where our schools are already grossly underfunded.

My neighbors' and my lots on Kachemak Drive are along the bluff above Kachemak Bay and are at low elevation with soils often saturated with water from the Beluga Wetlands. According to what I've learned, the CBM extraction process involves the injection of water into the subsurface. Such a process could cause soils in the area to be even more vulnerable to sloughing or eroding into the bay, as well as contaminating the ground water which ultimately drains in Kachemak Bay.

It is totally inappropriate to consider drilling for Coal Bed Methane on most of the lots in the Homer area, including our geologically vulnerable area, under neighborhood churches, under our Homer City reservoir, under an elementary school.

The only sensible solution is to buy back these leases before any work is done to make them more expensive, and/or to grant credits to the lease holders for other projects around the state. Please, for the sake of our quiet rural life style on these small lots, support SB250, vote it out of committee and support its ultimate passage.

Sincerely,  
Anne Wieland  
Homer

**Subject: SB 250**

**Date: Fri, 30 Jan 2004 16:17:27 -0900**

**From: Mike O'Meara <momeara@prattmuseum.org>**

**To: "senator\_bert\_stedman@legis.state.ak.us" <senator\_bert\_stedman@legis.state.ak.us>**

Dear Senator Stedman:

Re: HB 364/SB 250 - Seaton and G. Stevens

I'm pleased that a hearing has been scheduled for SB 250 on February 4. However, it is most disappointing that the committee will refuse to hear public comment. While it is probably not the intent, this decision has the appearance that the Chairman has no interest in what Alaskan citizens have to say. Since I'm being denied an opportunity to discuss this topic with you, I'm sending this message to express my views. SB 250 is one of the many reforms needed to repair a badly flawed state policy on coalbed methane/shallow gas policy.

Property owners around Kachemak Bay are angry about just about every aspect of the shallow gas fiasco (lack of proper public notice, the statutory preemption of DNR's ability to consider public comments, statutory authorization for administrative override of local ordinances, low royalty rate, and no meaningful environmental regulations). Any potential benefits seem likely to be outweighed by the likely economic, social, and environmental costs to the community. This bungled process has already driven a wedge between citizens and the oil and gas industry. Pursuing it further absent significant reform will make it very difficult for anyone to benefit from the limited potential of shallow gas resources.

The rational way to correct the present Shallow Natural Gas Leasing Program failure is through a buyback of the leases as proposed in SB 250/ HB 364. There should then be permanent moratorium on oil and gas development in sensitive areas of the state such as Kachemak Bay. While I support SB250/HB 364 I would rather see a buyback of all shallow gas leases in the state. This would allow us to design a properly thought out shallow gas program that would protect the interests of all Alaskans and assure reasonable revenue to the state. Unless you plan to simply pass this bill for consideration by the next committee assignment, please reconsider and allow testimony from citizens.

Sincerely,

Mike O'Meara  
P.O. box 361  
Homer, Alaska 99603

State of Alaska  
**OFFICE OF THE GOVERNOR**

**Frank H. Murkowski**  
Governor  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
**NEWS RELEASE**



**John Manly**  
Press Spokesman  
907-465-3500  
FAX: 907-465-3532  
[www.gov.state.ak.us](http://www.gov.state.ak.us)

FOR IMMEDIATE RELEASE: December 8, 2003

No. 03-252

## Murkowski: Lease Buyback is Last Resort

(Anchorage) – Governor Frank H. Murkowski has made it clear that consideration of the state buying back any coalbed methane leases in the Mat-Su and on the Kenai Peninsula would only be after all other options are exhausted.

"The state will consider buybacks of shallow natural gas leases only as a last resort," Murkowski said on Thursday, December 4, while responding to a question during a press conference.

DNR is currently engaged with the public in crafting rules, such as setback requirements, noise limitations, and water quality monitoring, that will be required for coalbed methane development in the Mat-Su Borough.

"Prior to approving any coalbed methane development, the Department of Natural Resources will make a determination as to whether additional site specific measures are necessary given the particular values of the location," Murkowski said. "Until DNR's public process is complete and the companies have determined where development might occur, it is premature to consider buybacks."

The state remains committed to the development of coalbed methane, recognizing that over the next decade the known reserves of natural gas in the Cook Inlet region may be inadequate to meet the demand. Additionally, coalbed methane could be a significant source of rural energy.

###

# LEGAL SERVICES

JAN 13 2004

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LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

January 13, 2004

**SUBJECT:** Senate Bill 250, providing for a moratorium on state shallow natural gas leases on uplands in the vicinity of Kachemak Bay and directing reacquisition of existing shallow natural gas leases on the Kenai Peninsula in the moratorium area -- sectional analysis (Work Order No. 23-LS1424D)

**TO:** Senator Gary Stevens

**FROM:** Jack Chenoweth  
Assistant Revisor of Statutes

This memo is intended as a response to Doug Letch's request for preparation of a summary of Senate Bill 250 as introduced.

**Bill section 1**, a temporary law provision, sets out a statement of purpose for the measure.

**Bill section 2**, amending AS 38.05.177(a), adds "land and water within the Kenai Peninsula Borough east of Cook Inlet and south of the north boundary of Township 5 South, Seward Meridian" to the description of areas of the state in which shallow natural gas leasing is not authorized.

**Bill section 3**, a second temporary law provision, directs the commissioner of natural resources to reacquire by purchase the shallow natural gas leases previously entered into within the area described in the preceding bill section, allows reacquisition by purchase by cash payment or future credits, and, if reacquisition by purchase is not successful, authorizes reacquisition by exercise of eminent domain.

**Bill section 4**, an additional temporary law provision, directs that the language of AS 38.05.177(a)(2)(E) establishing a shallow natural gas leasing moratorium, described above, shall operate to prohibit a second lease if the existing lease terminates for reasons specified in AS 38.05.177(d)<sup>1</sup> or (h).<sup>2</sup>

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<sup>1</sup> Subsection (d) directs the manner in which an initial shallow natural gas lease may be extended or terminated:

(d) A lease shall be automatically extended if and for so long thereafter as gas is produced in paying quantities from the lease and the lessee continues to meet all requirements of the lease. A lease issued

**Bill section 5** gives the measure an immediate effective date.

JBC:med  
04-020.med

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under this section covering land on which there is a well capable of producing gas in paying quantities does not expire because the lessee fails to produce gas unless the lessee is allowed reasonable time to place the well on a producing status. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, including such operations as redrilling, sidetracking, or other means necessary to reach the originally proposed bottom hole location, the lease is extended for one year and for so long thereafter as gas is produced in paying quantities. A gas lease issued under this section that is subject to termination by reason of cessation of production does not terminate if, within 90 days after production ceases or a longer period determined at the discretion of the director, reworking or drilling operations are commenced on the land under lease and are thereafter conducted with reasonable diligence during the period of nonproduction. In addition, upon application by the lessee, the director may once extend a lease issued under (c) of this section for a period of not more than three years.

<sup>2</sup> Under subsection (h), a lease may be otherwise terminated for the reasons specified in that subsection:

(h) A lease issued under this section is subject to the following terms and conditions and may be terminated by the director in the event of a breach of a term or condition:

(1) the lessee may surrender the lease or relinquish part of the lease at any time;

(2) the lease may not be transferred or assigned until a well capable of production of gas in paying quantities has been drilled on the lease; however, this paragraph does not prohibit the lessee from entering into a farm out agreement or similar arrangement with a third party under which the third party assists in exploration and development of production from the lease if the agreement or arrangement does not require a payment of consideration by the third party to the lessee, except that the lessee may retain an overriding royalty interest in the lease or may retain a net profit or other production payment.

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB250-DNR-O&G-02-04-04  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
Title Natural Gas Leases on the Kenai Peninsula RDU Resource Development  
Component Oil and Gas Development  
Sponsor Sen. G. Stevens  
Requester Sen. Community & Regional Affairs Component No. 439

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>**Indeterminate Amount**</b>					

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>**Indeterminate Amount**</b>					
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>**Indeterminate Amount**</b>					

Estimate of any current year (FY2004) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

SB 250 would require the Department of Natural Resources (DNR) to: 1) enter into negotiations to buyback eight shallow natural gas leases in the area just north of Kachemak Bay around Homer and 2) prevent the issuance or reissuance of any current or future shallow natural gas leases in the same area.

\*\*Indeterminate Negative Fiscal Note. It is impossible to predict at this time the specific negative impact to the state.

(Continued on next page)

Prepared by: Mark D. Myers Phone 269-8800  
Division: Oil and Gas Date/Time 2/4/04  
Approved by: Thomas Irwin, Commissioner Date 2/4/04  
Agency: Natural Resources

## FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. SB250-DNR-O&G-02-04-04

### ANALYSIS CONTINUATION

In accordance with SB 250, the state would, at a minimum, have to reimburse the purchase price with interest and compensate the lessee for expenses or other costs incurred. It is unknown at this time how many DNR staff hours would be required to technically evaluate each lease and negotiate with the leaseholder.

If the department is unable to negotiate a satisfactory price, the Commissioner may acquire a leasehold through eminent domain. The legal costs for condemning a leasehold through eminent domain are unknown, but could entail significant costs for attorneys and expert witnesses. Under the State Constitution, eminent domain requires "just compensation". Just compensation could include the purchase price, sunk costs and the value of the resource. Additionally DNR staff hours would also be required to administer any credits against future bonus bids, rentals, permit fees, and royalties.

It is impossible to predict future application fees, rentals, royalties, and taxes that the state would give up by SB 250 limiting the issuance of any future shallow natural gas leases in this area.

**SB**

**260**

# Alaska State Legislature

SENATOR  
BEN STEVENS  
716 WEST 4TH AVENUE  
ANCHORAGE, AK  
99501-2133  
(907) 269-0200  
FAX (907) 269-0204



*Session:*  
STATE CAPITOL  
JUNEAU, AK  
99801-1182  
(907) 465-4993  
FAX (907) 465-3872

## Senate District N

### Senate Bill 260: Metropolitan Planning Organizations

Federal transportation planning laws require the designation of a metropolitan planning organization (MPO) for urbanized areas with a population of at least 50,000. It requires the State of Alaska and the metropolitan planning organization to coordinate a continuing, cooperative, and comprehensive transportation planning process. The Federal Highway Administration provides the latitude for states and MPOs to establish a policy body, which shall include local elected officials, transportation officials and appropriate state officials. The membership of policy committees vary across the United States, some of which include state legislators.

Alaska currently has two designated metropolitan planning organizations; the Fairbanks Metropolitan Area Transportation System (FMATS) and the Anchorage Metropolitan Area Transportation Solutions (AMATS). Senate Bill 260 establishes metropolitan planning organizations (MPO) under state statute and modifies the makeup of the policy committee for Metropolitan Planning Organizations with a population of greater than 200,000 residents by adding two legislators.

The AMATS policy committee consists of five members: the Mayor of Anchorage, two members of the Anchorage Assembly, and a representative from both the State Departments of Transportation and the Environmental Conservation. To provide a more adequate level and broad range of representation for residents, Senate Bill 260 would add two Anchorage-area legislators to the policy committee; one member each from the senate and house. This increases local representation on the committee from three to five members, which will improve the public process and better inform Anchorage residents. It will also help to facilitate a more coordinated process between the State and Municipality to successfully address Anchorage's transportation needs.

The current process of prioritizing and allocating funding for transportation projects within Anchorage is very difficult to understand and has long been the source of significant discontent among Anchorage residents. It's time to change the process to be more responsive to the needs of the community.



U.S. Department  
of Transportation

Federal Highway  
Administration

Alaska Division  
[www.fhwa.dot.gov/akdiv](http://www.fhwa.dot.gov/akdiv)

P.O. Box 21648  
Juneau, Alaska 99802-1648  
907-586-7418

February 22, 2001

HDA-AK  
Adm-Gen 11

Senator Randy Phillips  
State Capitol, Room 103  
Juneau, AK 99801-1182

RECEIVED

MAR 19 2001

Senate Finance  
Committee

Dear Senator Phillips:

Thank you for your phone call of February 22. You specifically asked "Is there anything in Federal law precluding participation of State Legislators on the AMATS Policy Board." We offer the following for your consideration:

The Federal regulations on MPO membership are contained in Title 23 CFR Section 450.306. In general, they provide considerable flexibility in recognition of the variation in local government authority across the United States and the need to give each State and its local officials the flexibility to determine the institutional form of each MPO. Providing the provisions of Title 23 CFR Section 450 are followed, Federal regulations do not preclude the participation of State legislators on the AMATS Policy Board.

Sincerely,

David C. Miller  
Division Administrator

## The AMATS Organization

The Federal Highway Act of 1962 required each city over 50,000 population to develop a *comprehensive and continuing* transportation planning process, in *cooperation* with its state government. This became known by the acronym, the "3-C" process. The State of Alaska and the Municipality of Anchorage jointly participate in the Anchorage Metropolitan Area Transportation Study (AMATS). Through the AMATS process, the two agencies cooperatively plan the improvement of Anchorage's roadway, transit, and trail systems. Participation in the AMATS process fulfills a federal requirement, which enables the Anchorage area to receive substantial funding each year from the US Department of Transportation.

The AMATS process is guided by the AMATS Policy Committee, which formulates planning policy and objectives and monitors the implementation of transportation plans. The AMATS Policy Committee is composed of the Mayor of Anchorage, two (2) representatives of the Municipal Assembly, the Regional Director of the Alaska Department of Transportation and Public Facilities (ADOT&PF), and a representative of the Alaska Department of Environmental Conservation (ADEC).

The AMATS Technical Advisory Committee consists of seven voting members: the Director of the Municipal Department of Community Planning and Development, the Director of the Department of Public Works, ADOT&PF's Central Region Chief of Planning, the Municipal Environmental Services Division Manager, the Municipal Public Transportation Director, a member of the Citizens' Air Quality Advisory Committee, and a representative from the Alaska Department of Environmental Conservation, Southcentral Regional Office, Mobile Sources Section.

*Figure 1* illustrates the AMATS study area. Transportation plans and programs that require federal funds or review by federal agencies must be coordinated with AMATS.

*Figure 2* shows the relationship between the various AMATS committees. The Municipal Planning and Zoning Commission advises both the Municipal Assembly and the AMATS Policy Committee on transportation and land use issues, in its capacity as the AMATS Citizens' Advisory Committee. The AMATS Air Quality Advisory Committee is the citizens' forum for air quality issues affecting AMATS.

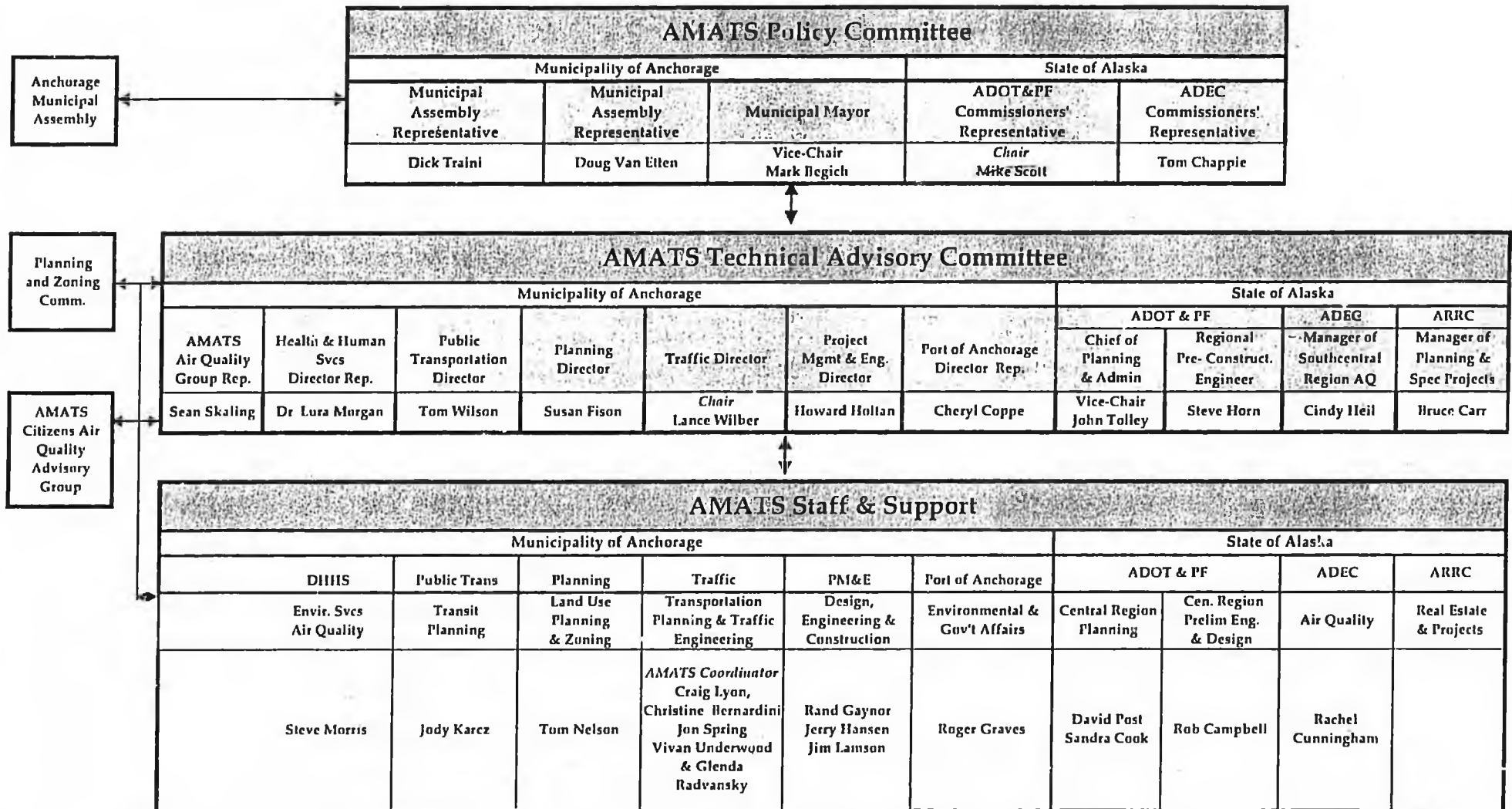
## The TIP Development Process

The following discussion, together with *figure 4*, illustrates the process used to develop the FFY 2001 - 2003 TIP:

1. **Scoring Criteria** - Prior to any other work in TIP development, a set of project selection criteria for ranking Non-National Highway System (Non-NHS) roadway, transportation enhancement, and congestion mitigation projects were developed. The ranking criteria were previously distributed for public and agency review and comments. The criteria were modified to reflect comments received, as well as consideration of and analysis of the federal planning factors. These criteria and the public review process were adopted by the AMATS Policy Committee in 1998, and have been utilized in developing this TIP.
2. **Project Nominations** -- In preparation for the development of this TIP, requests for project nominations from community councils, citizens, public agencies and officials were sought in early 1999.
3. **Project Eligibility** -- Nominations were reviewed for eligibility of federal highway funding and sorted into the following categories: 1) roads, 2) transportation enhancements, and 3) congestion mitigation & air quality (CMAQ) projects. Roads were further sorted for those to be forwarded to the State of Alaska for the NHS Program. The remaining Non-NHS roads were reviewed using the scoring criteria, as were the transportation enhancements and the CMAQ projects. Project priority lists were developed based upon the ranking criteria. The ranking criteria were applied to score and rank each of the eligible projects.

# Anchorage Metropolitan Area Transportation Solutions

## AMATS Organizational Chart



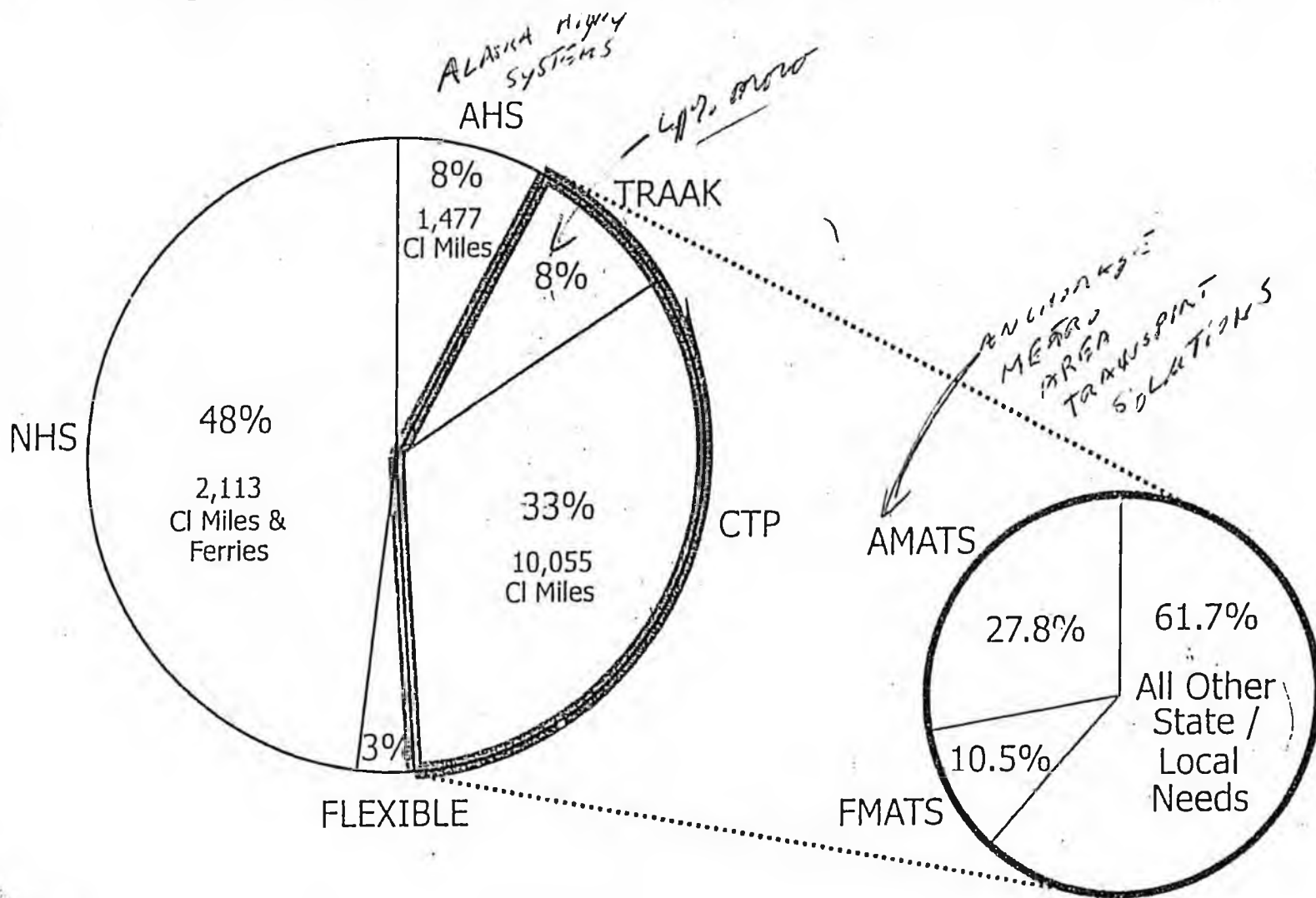
*NATIONAL  
Highway  
SYSTEM*

FEDERAL HIGHWAY PROGRAM - ADOT&PF  
DRAFT REPORT OF NET OBLIGATIONS  
FFY81-FFY03

FISCAL YEAR	NHS ANCHORAGE	+ NON-NHS ANCHORAGE	= ANCHORAGE	% OF STATEWIDE	CENTRAL	% OF STATEWIDE	STATEWIDE
81	\$36,672,000	\$7,372,000	\$44,044,000	30.4%	\$65,295,598	45.0%	\$145,101,328
82	\$13,780,000	\$9,547,000	\$23,327,000	21.6%	\$48,637,800	45.0%	\$108,084,000
83	\$55,906,000	\$14,538,000	\$70,444,000	47.6%	\$83,920,000	56.7%	\$147,914,431
84	(\$1,951,000)	\$35,453,000	\$33,502,000	21.8%	\$78,378,000	50.9%	\$153,835,509
85	\$21,820,000	\$42,326,000	\$64,146,000	40.3%	\$65,994,920	41.4%	\$159,363,306
86	\$20,000,000	\$21,300,000	\$41,300,000	27.3%	\$62,287,166	41.2%	\$151,150,323
87	\$44,400,000	\$16,800,000	\$61,200,000	40.2%	\$66,332,534	43.5%	\$152,396,403
88	\$1,300,000	\$44,300,000	\$45,600,000	34.4%	\$56,926,235	42.9%	\$132,653,576
89	\$18,000,000	\$27,000,000	\$45,000,000	31.0%	\$50,397,727	34.7%	\$145,290,927
90	\$45,339,209	\$20,450,556	\$65,789,765	43.8%	\$67,276,715	44.8%	\$150,269,333
91	\$7,942,800	\$20,011,500	\$27,954,300	15.8%	\$78,633,123	44.5%	\$176,523,889
92	\$48,429,487	\$9,072,832	\$57,502,319	27.2%	\$84,224,427	39.9%	\$211,137,939
93	\$38,461,400	\$8,713,900	\$47,175,300	25.8%	\$84,590,437	46.2%	\$183,032,721
94	\$11,004,005	\$17,505,336	\$28,509,341	12.8%	\$98,532,700	44.2%	\$223,063,500
95	\$22,968,143	\$18,013,787	\$40,981,930	18.4%	\$98,532,700	44.2%	\$223,063,500
96	\$3,315,305	\$20,112,291	\$23,427,596	10.9%	\$122,631,426	57.0%	\$215,107,738
97	\$13,620,444	\$20,939,060	\$34,559,504	16.9%	\$80,862,276	39.5%	\$204,930,257
98	\$33,995,440	\$16,757,483	\$50,752,923	17.8%	\$130,004,016	45.6%	\$285,010,332
99	\$16,576,996	\$22,294,905	\$38,871,901	12.9%	\$148,983,844	49.3%	\$301,984,992
2000	\$29,548,838	\$37,806,882	\$67,355,720	22.8%	\$176,523,796	59.7%	\$295,793,040
2001	\$22,993,406	\$41,621,915	\$64,615,321	20.9%	\$207,100,021	67.0%	\$309,246,538
2002	\$9,565,097	\$45,872,708	\$55,437,805	16.9%	\$154,000,948	47.0%	\$327,611,853
2003	\$24,370,022	\$27,085,821	\$51,455,843	20.1%	\$157,039,768	61.3%	\$256,225,689
2004	\$14,250,000	\$40,977,000	\$55,227,000	13.2%	\$167,804,400	49.4%	\$340,000,000
2005	\$29,450,000	\$40,977,000	\$70,427,000	20.7%	\$110,726,400	32.6%	\$340,000,000
2006	\$2,650,000	\$46,961,000	\$49,611,000	13.0%	\$140,164,300	36.7%	\$382,000,000
TOTAL			\$1,258,217,568	22.0%	\$2,685,801,277	46.9%	\$5,720,791,124

SOURCES: STATEWIDE; 81 THROUGH 93; D. MICKLE (DOT&PF HQ) 12/28/93  
CENTRAL; 81 THROUGH 82; J. BOWDEN ESTIMATE (DOT&PF CE) 12/28/93  
CENTRAL; 83 THROUGH 84; J. BOWDEN (DOT&PF CE) 12/28/93  
CENTRAL; 85 THROUGH 93; D. MICKLE (DOT&PF HQ) 12/28/93  
ANCHORAGE; 81 THROUGH 85; S. VAN HORN (DOT&PF CE) 2/13/85  
ANCHORAGE; 86 THROUGH 89; P. McNEES (DOT&PF CE) 1/5/90  
ANCHORAGE; 90 THROUGH 93; L. MITCHELL & M. MAYO (DOT&PF CE) 1/4/93  
ALL COLUMNS; 94 YEAR END STIP; 12/31/94  
ALL COLUMNS; 95 YEAR END STIP; 1/31/96  
96-98 ALL COLUMNS; ORACLE FROM J. VANHORN, DONE BY J. WILSON & L. JANKOWSKI (DOT&PF CE) 11/27/98  
99-03 ALL COLUMNS FROM ORACLE FROM J. WITT 1/27/04  
04-06 ALL COLUMNS BASED ON PROJECTED FUNDING IN TIP AND STIP

# Distribution of Federal-Aid Transportation Formula Funds Per 17 AAC 05.155-200



# Acronyms and Definitions

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## ADEC

Alaska Department of Environmental Conservation.

## AMATS

Anchorage Metropolitan Area Transportation Study. AMATS is a federally-mandated, multi-agency team that works together to plan and fund the transportation system in the Anchorage and Chugiak-Eagle River areas when *federal funds* are being used. AMATS comprises representatives from a variety of organizations.

## ARRC

Alaska Railroad Corporation.

## ASD

Anchorage School District.

## CAC

Citizen Advisory Committee. Every organization like AMATS in the United States is federally mandated to have a CAC. The Municipal Planning and Zoning Commission fills this requirement for AMATS.

## CIP

Capital Improvement Program. A municipal document that addresses funding for transportation and public facilities in the Municipality. Most projects funded in the CIP come from local taxes.

## CMAQ

Congestion Mitigation and Air Quality. This is a program that emphasizes the importance of the link between transportation and air quality. To that end, CMAQ program funding is applied to transportation projects that reduce vehicle emissions and help improve air quality. Transit and traffic flow improvement projects are included, as are projects such as ride-sharing, vehicle emissions inspection and maintenance programs, bicycle and pedestrian improvements and alternative fuels.

## Comp Plan

Anchorage Bowl Comprehensive Land Use Plan. A document updated every ten years, and most recently, in the Spring of 2001, the Anchorage 2020 Plan was adopted. It serves as a guide for community development, including transportation planning. This policy document identifies the issues, goals, and objectives for

land use in Anchorage, thus providing a framework for making decisions about our transportation system.

## DHHS

Municipality of Anchorage Department of Health and Human Services.

## DOT&PF

State of Alaska Department of Transportation & Public Facilities.

## FCC

Federation of Community Councils. A municipally funded body comprised of almost 40 community councils. The FCC is a formal participant in scoring Transportation Improvement Program (TIP) projects.

## FHWA

Federal Highway Administration. A component of the U.S. Department of Transportation. FHWA authorizes expenditures from the Highway Trust Fund and sets deadlines for planning documents that AMATS is responsible for meeting.

## FTA

Federal Transit Administration. A component of the U.S. Department of Transportation, established to provide leadership, technical assistance and financial resources for safe and technologically advanced public transportation.

## LOS

Level of Service. A standard means of measuring traffic congestion by evaluating the capacity of a road with respect to the number of vehicles using the road in a given timeframe.

## L RTP

Long Range Transportation Plan. A 20-year planning document, revised every three years, that identifies new transportation policies and facilities to meet the long-term (20-year) needs of an urban area for roads, public transportation, trail development, and general transportation. The L RTP must be consistent with the area's comprehensive long-range land use plan, urban development objectives, and overall social, economic, environmental, system performance, and energy conservation goals and objectives.

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**MOA**

Municipality of Anchorage.

**MPO**

Metropolitan Planning Organization. A federal designation given to a local entity to take lead responsibility for developing transportation plans and programs using federal monies in an urbanized area with 50,000 or more people. The only MPO in Alaska is the Municipality of Anchorage.

**OS&HP**

Official Streets & Highways Plan. A document that depicts the hierarchy of road designations, which then creates the roadway system: freeway, highway, major arterial, minor arterial, collector, or street. These designations are determined based on projected traffic levels, which then determines the right-of-way (amount of land) needed.

**Planning**

A phase in transportation system development to determine the likely future transportation needs of an area.

**Programming**

A phase in transportation system development when the type and level of resources needed to design and build a project are determined and the scheduling of those resources occur.

**PTDP or TDP**

Public Transportation Development Plan. A short-term (5-year) program that outlines the intended development of the public transit system for each year during that period. It includes a detailed program of capital equipment needs, system management, and operations.

**P&Z**

Planning and Zoning Commission. An appointed Municipal body which, in one of its functions, serves as the official Citizens Advisory Committee to AMATS.

**PC**

AMATS Policy Committee. The formal decision-making body of AMATS, which approves final planning and programming documents.

**POA**

Port of Anchorage.

**PSA**

Public Service Announcement.

**STIP**

State Transportation Improvement Program. A document produced by the Alaska Department of Transportation & Public Facilities to allocate funds for transportation programming throughout the state.

**TAC**

AMATS Technical Advisory Committee. A formal body of representatives from various agencies and interests that reviews transportation planning documents and advises the AMATS Policy Committee.

**TEA-21**

Transportation Equity Act for the 21st Century. Enacted on June 9, 1998, TEA-21 is the most recent comprehensive federal transportation enabling legislation.

**TIP**

Transportation Improvement Program. A document updated every two years and is required by FHWA-FTA joint regulations, in order for AMATS to receive federal funds. It is a prioritized program of transportation projects and air quality management strategies to be implemented in the near term (three years). The projects serve to implement the LRTP.

**TMA**

Transportation Management Area. A TMA is subject to special federal requirements regarding congestion management systems, project selection, and certification. These special requirements are for urbanized areas having a population over 200,000. AMATS is also a TMA.

**UDC**

Urban Design Commission. Reviews street and roadway landscape improvement projects and advises on urban design matters.



# ALASKA STATE LEGISLATURE

## SENATE COMMITTEE ON COMMUNITY & REGIONAL AFFAIRS

Senator Bert K. Stedman, Chair

Official Business

Senator Tom Wagoner, Vice-Chair  
Senator Kim Elton  
Senator Georgianna Lincoln  
Senator Gary Stevens

State Capitol, Room 30  
Juneau, AK 99801-1182  
Phone: (907) 465-4989  
Fax: (907) 465-3922

*February 09, 2004*

*1:30 – 3:30 PM*

*Fahrenkamp 203*

### AGENDA

#### I. Call To Order

#### II. New Business

##### SB 260 Metropolitan Planning Organizations

Sponsor Testimony - Senator Ben Stevens, *Dist N (R-Anchorage)*

Alternate: Kristy Tibbles, *Sen Stevens Staff*

Possible Additional Testimony:

John MacKinnon, *Deputy Commissioner, Highways & Public Facilities, State DOT*

Nona Wilson, *Legislative Liaison, State DOT*

John Tolley, *Planning Chief, Central Region, State DOT & AMATS staff support*

Mayor Mark Begich (*Anchorage*), *AMATS Policy Committee Chair*

Assemblyman Doug Van Etten (*Anchorage*), *AMATS Policy Committee member*

Assemblyman Dick Traini (*Anchorage*), *AMATS Policy Committee member*

Dave Miller, *Division Administrator, Federal Highways Commission*

Available for Committee Questions:

Tom Chapple, *Dir Air & Water Quality, State DCEC & Member AMATS Policy Committee*

#### III. Adjourn

## Details of the 2004 – 2006 STIP

The STIP displays the projects the department plans to design and build in each of the next three years. By law, the spending plan must achieve these requirements:

- Fiscally constrained, based upon realistic estimates of expected funding
- Consistent with both statewide and local transportation plans
- Covers a period of not less than 3 years
- Consistent with federal and state air quality requirements
- Contains all capital and non-capital (e.g., planning, research) transportation projects
- Contains information about each project, including description, location, costs, phase of work and year of funding
- Is developed in cooperation or consultation, as appropriate, with affected local officials, other interested parties and transportation operators.

### How the STIP is prepared?

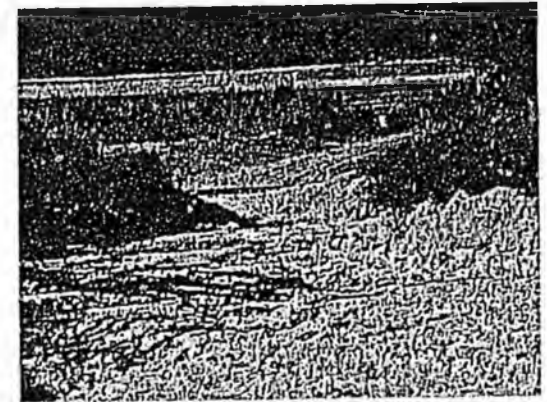
This STIP is the final step in an extensive process through which projects are nominated, evaluated, selected and programmed for funding based on merit and relative need. Alaska's STIP is prepared from a document known informally as the Needs List

*(Transportation Needs and Priorities in Alaska).*

Beginning in late 2001 the department held a public review of the needs-based project scoring criteria and solicited new project

nominations for the Needs List. Based on the existing database of previously nominated projects from prior Needs Lists and the new project nominations, the department reviewed more than 1,200 surface transportation project nominations from various groups, local governments, state and federal agencies.

This large pool of potential projects is classified into the different STIP categories and regional staff initially scored each one. Only projects receiving the highest scores in this initial ranking became eligible for subsequent evaluation statewide.



The long-term climatic warming trend in Alaska has changed the pattern of debris flow on many rivers and streams. Here the increased bed load has nearly eliminated the hydraulic capacity of the bridge at One Mile Creek, MP 228 Richardson Highway. DOT&PF may need to elevate this bridge with raised embankments on either side.

The STIP is a financially constrained spending program. The department must estimate the total amount of transportation funding, by year and by category, from all anticipated sources for the three-year period, 2004 - 2006. The primary source of funds for surface transportation projects in Alaska is from the Federal Highway Administration. Other key sources of funding include the transit funds from the Federal Transit Administration, and special funding sources such as grants selected by members of Congress for specific projects.

The estimate of total available funding limits the projects placed in each year of the STIP. Much of the funding available to the department is allocated within specific categories such as safety, surface transportation, transportation enhancements, air quality (CMAQ) and transit funding according to the federal funding programs. In allocating funds to projects, we must consider these special categories.

Federal regulation (23 CFR 450.216) requires that each state transportation agency develop a STIP for all areas of the state outside of metropolitan planning areas (MPOs). For metropolitan areas, the MPOs develop their own TIPs (Transportation Improvement Programs) which are approved by the state and incorporated in total or by reference into the STIP. Additional requirements are also placed on the nature and form of projects that are placed in the STIP. The final STIP is subject to approval by both the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA), both agencies of the US Department of Transportation.

#### STIP Spending Categories

The STIP is divided into several transportation categories, with each receiving a portion of the funds. All projects nominations are placed into one of these categories.

- *National Highway System (NHS)* is the system of most important highways and ferry links that connect the state's population centers with economic centers, border crossings and intermodal facilities. Congress or the US DOT approves all routes on the NHS. (For ease of review, ferries and terminals of the AMHS and other systems are shown in a separate category, but are financially part of the AHS or NHS, as appropriate.)
- *Alaska Highway System (AHS)* is the system of state highways, roads and ferry links that were not made part of the NHS (see above) but are still important to the state in that they link cities with economic centers, recreational areas, and span the distances between cities. AHS routes are approved by the DOT&PF Commissioner.
- *Community Transportation Program (CTP)* that creates partnerships with local governments, tribes and other parties to build projects serving local and regional needs including economic development related projects.
- *Trails and Recreational Access for Alaska (TRAAK)* projects that improve access to recreational facilities and provide trails for transportation and scenic and interpretative improvements along highways.
- *Federally Required Programs and Preventive Maintenance* – These projects are required to meet federal eligibility such as data collection, bridge inspection, research and similar programs.
- *Earmark Projects* – Known or expected earmark projects are listed here. Since earmark funding is not realized until the earmark is contained in a Congressional appropriations bill, this class of projects is speculative. Projects in this category do not compete with the federal formula funds nor are they part of the financial constraint calculation that applies to the remainder of the STIP.

Except for Earmark Projects an estimated funding level was established for each of these categories, and this STIP has been structured around these categories.

### **2004 – 2006 STIP emphasis areas**

This STIP is structured to address the following policy objectives in order to best serve the interest of the state in the use of scarce transportation funds:

- Reduce general fund obligations to the state by addressing "time trap" projects in a responsive but measured manner.
- Achieve a safer transportation system for all involved.
- Connect communities and resources in order to improve Alaska's economy and reduce the cost of living in outlying communities.
- Modernize to current standards and upgrade capacity on the National Highway System.
- Use a needs-based system to allocate funds to community and local transportation needs, giving priority to those communities willing to share in project costs and assume ownership.
- Capacity increases in urbanized areas – Add capacity in order to reduce congestion, improve safety and reduce travel time. Interchanges are funded in Fairbanks, Juneau, and the Matanuska-Susitna Borough within this STIP.
- Ferry modernization – The international and federal regulatory authorities continue to increase the safety standards applicable to public ferries. As such, the department must continue to upgrade the fleet to meet these stringent standards.
- Rehabilitate and transfer roads – or the upgrading of state-owned roads and subsequent voluntary transfer of these roads to local government.
- Maintenance cost reductions – The department continues to seek ways to lower maintenance costs through smart capital investments. Examples range from development of a maintenance management system to replacement of guardrails, luminaires and pavements.
- Use technology to improve transportation efficiency. Recent examples include new land mobile radio systems for operations. We are also installing a road weather information system in several test areas to improve awareness of when to deploy snow and ice control efforts.

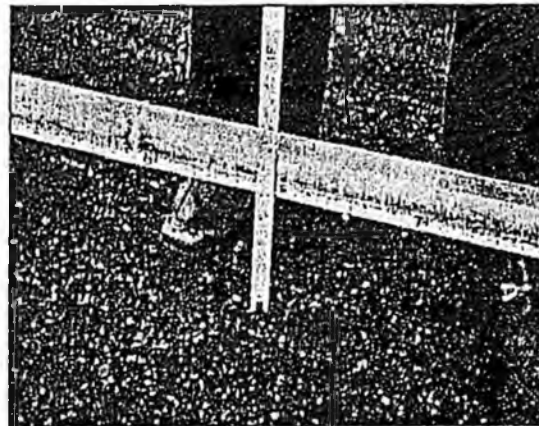
**Dividing STIP funds between MPOs and other Alaska communities**

Under federal law, areas recognized by the federal government as MPOs (or Metropolitan Planning Organizations) are authorized to select their own projects with a portion of the STIP funds allocated from the state. Read how Alaska DOT intends to divide the pie between MPOs and other local governments to effect equitable sharing of federal transportation funding.

**Dividing the STIP funds between  
MPOs and other communities**

**Special status of urbanized areas – Fairbanks  
and Anchorage**

The manner in which funding is allocated and projects are selected within urban areas over 50,000 population differs from other areas of the state. This difference is based on requirements for communities with a population greater than 50,000 in a federally designated urbanized area. This designation is based on both total



Pavement rut depth of nearly 4" due to studded tire wear. In 2003 state law was changed to require a tax on tires, intended in part, to provide funds to repair such damage.

population and relative density per square mile. The determination about whether an area is urbanized is made by the US Census Bureau, and then the state and the affected local governments must work together to establish an MPO (Metropolitan Planning Organization). The state allocates a portion of the federal transportation funds to each MPO.

All MPOs including AMATS (Anchorage Metropolitan Area Transportation Solutions) and FMATS (Fairbanks Metropolitan Area Transportation System) are empowered under federal rules to select their own list of transportation projects within the MPO boundary, except for National Highway System projects.

Both AMATS and FMATS prepare a Transportation Improvement Program (TIP) based on all funding sources available to the MPO. Like the state as a whole, the dominant sources of funds for surface transportation in both AMATS and FMATS is a share of the federal funds that flow from the federal program to Alaska DOT&PF.

#### Anchorage

AMATS, using a process very similar to the state, prepares a Transportation Improvement Program (TIP) based on all funding sources available to AMATS. Like the state as a whole, the dominant source of funds for surface transportation in AMATS is the federal funds that flow from TEA-21.

AMATS also prepares a Needs List and follows a public review process similar to the Department's. If you have questions about a project in Anchorage or the AMATS planning process contact the AMATS office at the number shown on the inside front cover.

#### Fairbanks

The Fairbanks urbanized area was federally designated on May 1, 2002 and formally established as an MPO in May

2003. For purposes of surface transportation program development, Fairbanks is now similar to Anchorage. Beginning in FFY 2004 the Fairbanks MPO (FMATS) will receive a STIP funding allocation for use in the MPO-boundary area. The new MPO must have an approved long-range transportation plan and planning process established, before it can directly select projects. This is anticipated by FFY 2006.

Until Fairbanks completes a long-range transportation plan, Alaska DOT&PF will prepare Fairbanks project schedules in the STIP as follows:

- The Alaska DOT, consulting with the new Fairbanks MPO, will select surface transportation projects (other than National Highway System and bridge projects) within the boundaries of the metropolitan planning area.
- Funding for the surface transportation projects selected on behalf of the Fairbanks MPO will come from an allocation in the STIP.
- With the development of the new STIP for FFY 2006 – 2008 the MPO will prepare it's own TIP.

### **The new formula for sharing STIP funds with MPOs**

The new state transportation regulations (17 AAC 05) guide the department in determining the level of funding to be allocated to the urbanized areas of the state in Anchorage and Fairbanks. Criteria to be considered when making this calculation may include one or more of the following included in 17 AAC 05.150(b):

- (1) *the number of lane miles of existing and proposed highways and roads in each metropolitan planning area as compared to the remainder of the state;*

- (2) *the geometric and functional deficiencies of highways and roads in each metropolitan planning area as compared to the remainder of the state;*
- (3) *the number of miles of sidewalks, trails, and waysides in each metropolitan planning area as compared to the remainder of the state;*
- (4) *the number of vehicle miles traveled or traffic congestion in each metropolitan planning area as compared to the remainder of the state;*
- (5) *the number and severity of traffic accidents in each metropolitan planning area as compared to the remainder of the state;*
- (6) *the capacity of the tax and employment base to contribute local money to the cost of surface transportation within each metropolitan planning area as compared to the remainder of the state;*
- (7) *the population within each metropolitan planning area as compared to the remainder of the state;*
- (8) *the degree of unmet need for new or improved transportation features within each metropolitan planning area as compared to the remainder of the state;*
- (9) *consideration of the unmet needs for minority and low-income population in each metropolitan planning area compared to the remainder of the state.*

The department circulated a formula for allocating funds to both MPOs using comparisons based on the preceding criteria. This formula used several types of readily available

data to compare the relative need between urban and less developed areas.

With the widely available data, the following five formula factors and relative weights are proposed:

- (10%) Population: All things equal, more people need more lanes and higher class systems
- (40%) Centerline Miles: The existing system is an important investment and must be kept in usable, safe condition.
- (10%) Major Accidents (major injury and fatalities): An indicator of both poor roadway geometry and high intensity of use.
- (20%) Total Accidents: An indicator of both high VMT and system inadequacies.
- (20%) Lane Mile Burden: Based on total lane miles<sup>1</sup> and ratio of lane miles to population. (Recognizes Alaska has vast land area but small population, hence limited tax capacity relative to local system size should not be penalized.)

Using statistics for both boroughs that contain the two MPOs, and data for the remainder of the state, the result is that entire Municipality of Anchorage would garner 27.75% and Fairbanks North Star Borough 10.55%. Both of these borough-wide calculations must be further reduced to account for the smaller geographic footprint within each borough occupied by the MPO boundary. For this final adjustment, population was chosen as the method of division.

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<sup>1</sup> In fact centerline equivalents are used for this calculation due to inadequate data concerning lane miles across the entire state.

Applying the MPO allocation formula to Anticipated  
Federal Funds for 2004 to 2006  
(In thousands)

AMATS	2004	2005	2006
Total:	\$44,477.4	\$44,477.4	\$53,343.3
CTP	31,935.5	31,935.5	36,966.6
TRAAK	3,452.5	3,452.5	3,996.4
Flexible	2,589.4	2,589.4	2,997.8
Prev.	4,000.0*	3,500.0	6,382.5
Maint.			
CMAQ	3,000.0	3,000.0	3,000.0

\*Additional funds were made available by not using formula funding for Emergency Repairs in 2004. In the STIP, this is \$4,000.0.

FMATS	2004	2005	2006
Total:	\$18,997.4	\$18,509.9	\$20,815.6
CTP	7,891.8	7,891.8	9,135.1
TRAAK	853.2	853.2	987.6
Flexible	639.9	639.9	740.7
Prev.	1,500.0	1,500.0	1,577.2
Maint.			
CMAQ	2,000.0	2,000.0	2,000.0
75% of	6,112.5	5,625.0	6,375.0
On-going Projects			

The above tables are based on predicted funding targets for the various program categories during FFY 2004 – 2006. For each federal fiscal year (FFY) the total of CTP, TRAAK and Flexible funds is multiplied by the derived MPO formula.

As the funding that goes to the MPOs is a percentage of actual federal funds received, these allocations will be adjusted to reflect the final values made available to the state, using the same ratios.

For both MPOs, the allocation formula was also applied to the Flexible 3% portion of the STIP. Additionally, a category of preventative maintenance and CMAQ funds was sub-allocated to both MPOs.

For FMATS additional money was allocated to help the transition covering 75% of the cost of two large on-going projects already begun in that community—University Avenue Widening and Illinois-Barnette & Bridge. Both of these projects are time traps as well.

In addition, both MPOs are eligible for HSIP (highway safety improvement program) funds, and can also compete for statewide CMAQ funds.

**Is this allocation equitable?**

Outside Alaska, the other 49 states derive funding to the MPOs in their jurisdiction based on a national formula established in federal law. Were this same formula applicable to Alaska (federal law exempts Alaska at present time) the funds allocated to the MPOs would be about 20% of the amount allocated in the formula developed by Alaska DOT.

Another method of comparison is to evaluate the allocations by ratios to population served and existing extent of the road network in each area. By these comparisons, the two MPOs both receive substantially more funding per centerline mile of existing road than the remainder of the state. On a per capita basis, the FMATS MPO is above the remainder of the state, and AMATS receives less on this basis. These comparisons do not include federal funds allocated to the NHS or AHS, nor earmarks and other non-flexible funds such as transit or ferry funding.

**Comparison of Average of 2004 & 2005 Federal Formula Funds Allocation by Population and Centerline Mile**

Area	\$ Per CL Mile	\$ Per Capita
AMATS	\$32,946	\$172.61
FMATS	\$18,172	\$267.27
Non-MPO	\$11,570	\$215.60

### Changes to the TRAAK Program

In 2003, the TRAAK program was changed by enactment of Senate Bill 71. The effect of this legislation was three-fold:

- Beginning in FFY 2004, it reduced the maximum level of funding allocated to the statewide TRAAK program from 8% to 4%; with a requirement for further reduction to 2% beginning in FFY 2007.
- Funds not spent in the TRAAK program are to be transferred to the CTP program. It will grow to 37% in FFY 2004 and to 39% in FFY 2007.
- MPOs (Anchorage and Fairbanks) may spend no more than 10% of the funds allocated from the STIP on transportation enhancements.

The effect of this change is to slow the pace of the entire TRAAK program. The department may have to impose a multi-year moratorium on new TRAAK projects until active projects in design are funded through construction. Another possibility is to limit TRAAK projects to maximum dollar limit. The intent of these possible program changes is to ensure the program's viability and utility to several Alaska communities each year.

## Glossary of Terms

**ADOT&PF** – Alaska Department of Transportation and Public Facilities – The agency within Alaska state government empowered to own, operate, plan, design and construct transportation facilities.

**AC or Advance Construction** – This is a financial tool permitted under FHWA rules. With approval of the FHWA the state may begin a federally funded project early, prior to the availability of federal funds to reimburse the project. With this flexibility the state can construct a federally eligible project one or more years before reimbursement, taking advantage of federal funds prior to their availability.

**ADEC** – Alaska Department of Environmental Conservation – The agency within Alaska state government responsible for air quality programs, including transportation air quality matters.

**AHS** – Alaska Highway System – The Alaska Highway System is composed of those transportation facilities, excluding those on the National Highway System, that provide greater utility to Alaska as a whole, than to individual communities.

**AIP** – Airport Improvement Program – A schedule of projects for airports throughout the state, funded with Federal Aviation Administration funds.

**AMATS** – Anchorage Metropolitan Area Transportation Solutions – A joint local-state planning and programming organization, designated as the Metropolitan Planning Organization for Anchorage and charged with developing a Transportation Improvement Program for the Anchorage urbanized area in compliance with the current federal surface transportation law.

**AMHS** – The Alaska Marine Highway System – The department's system of vessels, terminals and routes that link most of Alaska's coastal communities from the Aleutians to Southeast.

**Apportionments** – Program funding levels authorized from the federal Highway Trust Fund. These amounts are calculated annually and distributed to states. They are available for four years, typically. Expenditures of apportionments are generally subject to and limited by annually appropriated obligation authority.

**ARRC** – Alaska Railroad Corporation – a state owned agency responsible for management and operation of the Alaska Railroad.

**Bridge Discretionary Program** – A competitive program administered by the FHWA for major bridge replacement or for new bridges that replace ferry routes.

**BIA** – Bureau of Indian Affairs – Some federal funds are allocated directly to the BIA for ultimate distribution to Alaska Native villages. These funds must be included in the STIP but are not controlled or allocated by the State.

**CMAQ** – Congestion Mitigation/Air Quality – A specific funding program targeted to reducing air pollutants in nonattainment areas, specifically Anchorage, Eagle River, Fairbanks and Juneau.

**Community Access Projects** – Priority projects that have been defined to improve community connectivity to the state's transportation networks, improving the movement of people and goods, strengthening local economies and taking advantage of local infrastructure proximity. Funding may include STIP funds or other sources.

**Conformity** – A federally required process used to ascertain if proposed transportation plans or projects will reduce emissions of pollutants in areas that are considered to be in nonattainment. Generally speaking, plans, such as the TIP and STIP and individual projects must be reviewed for conformity. Absent a finding of conformity, such decisions, except for specified categories of projects, plans or projects cannot be implemented in the nonattainment areas.

**CTP** – Community Transportation Program – A program of the Alaska Department of Transportation and Public Facilities that addresses a wide range of community transportation modes, including rural and urban roads, remote, ITS and transit.

**Discretionary Funding** – Several dedicated funding sources wherein projects compete nationally including Ferry Boat, Bridge, Scenic Byways and Public Lands.

**Earmark** – Earmark or earmarked projects have been selected during the Congressional approval process as to funding amount, purpose and geographic location. The state has no authority to change these requirements.

**Environmental Justice** – An emerging federal requirement, based on Title VI of the 1964 Civil Rights Act and Executive Order #12898, 1994. The essence of this Executive Order, pertaining to transportation issues, is the requirement that the delivery of transportation benefits shall be equitable with regard to populations protected under the Civil Rights Act.

**ER or Emergency Repair**—Special federal funding allocated to projects that repair damage caused by natural disaster. We are waiting for reimbursement of expenditures for the Denali Earthquake damage to our highways. Federal appropriations in 2003 were not sufficient to cover the nationwide natural disasters and therefore, Alaska is delaying reimbursement of the Emergency Repairs until additional federal funds are appropriated.

**Forest Highway Program** – A funding program for public highways on federal lands administered directly by the FHWA. In Alaska this program uses a three-agency project selection committee including FHWA, the US Forest Service and ADOT&PF. These funds must be included in the STIP but are not controlled or allocated by the state.

**Ferry Boat Discretionary Program** – A program administered by the FHWA for ferry and terminal projects. Under TEA-21 Alaska receives \$10 million annually in specified

funds from the program and is further eligible for nationwide competition for the unspecified portion of the program.

**FAA** – Federal Aviation Administration – The federal agency of the US Department of Transportation responsible for funding airport and aviation projects.

**FFY** – Federal Fiscal Year – The period October 1 – September 30. For example, the FFY 2004 is the period October 1, 2003 – September 30, 2004.

**FHWA** – Federal Highway Administration – The federal agency of the US Department of Transportation responsible for funding highways, trails and ferry projects.

**FMATS** - Fairbanks Metropolitan Area Transportation System – A joint local-state planning and programming organization, designated as the Metropolitan Planning Organization for the North Star Borough and Cities of Fairbanks and North Pole. The MPO is charged with developing a Transportation Improvement Program for the Fairbanks urbanized area in compliance with the current federal surface transportation law.

**FRA** – Federal Railroad Administration – The federal agency of the US Department of Transportation responsible for railroad issues.

**FTA** – Federal Transit Administration – The federal agency of the US Department of Transportation responsible for funding transit projects.

**High Priority Funding** – Dedicated funds for specific projects established in federal law. Also known as demonstration (demo) or earmarked projects.

**Industrial Access Projects**—Priority projects identified to enhance the state's economic development through transportation infrastructure investment. Funding may be STIP or other sources.

**ISTEA** – Intermodal Surface Transportation Efficiency Act of 1991 – An act of Congress providing funding authorization for highways, safety, and mass transportation for a six-year period for federal fiscal years 1992 through 1997. This law was responsible for some new programs, such as CMAQ and Transportation Enhancements, and implementing the STIP planning requirements.

**ITS** – Intelligent Transportation System – A range of technologies designed to improve the effectiveness of existing and new transportation investments. There are several possible ITS applications within Alaska that are under consideration.

**MPO** – Metropolitan Planning Organization – The forum for cooperative transportation decision making for an urbanized area involving multiple government agencies. In Alaska, Anchorage and Fairbanks are the only MPOs, known as AMATS and FMATS respectively.

**NAAQS** – National Ambient Air Quality Standard – Standards established in the Clean Air Act for various pollutants. Those most concerning Alaska transportation issues are CO (carbon monoxide) and PM (particulate matter – dust and smoke).

**Needs List** – Transportation Needs and Priorities in Alaska – A document of the Alaska Department of Transportation and Public Facilities that lists all desired transportation projects in the state, including highways, ferries, trails, transit, airports, harbors, and buildings. The Needs List is used as a starting point for preparation of the STIP.

**NHS** – National Highway System – The most important highways and ferry routes in the United States. Congress must approve NHS designations based on recommendations by the FHWA.

**Nonattainment Area** – A designated geographic area, which based on long-term air quality sampling, has been found to be in nonattainment for one or more NAAQS. In Alaska, there are four nonattainment areas: Juneau-Mendenhall Valley, Anchorage, Eagle River and Fairbanks.

**Non-metropolitan consultation rule** – changes to federal regulations (23 CFR 450) were instituted in February 2003 requiring state's to institute new procedures for consulting with non-metropolitan area local officials on transportation planning issues, including the Statewide Transportation Plan (SWTP) and the Statewide Transportation Improvement Program. These new procedures must be adopted by ADOT&PF by February 24, 2004.

**Obligation Authority** – The total amount of federal highway funds that can be authorized for projects in a given FFY. This amount results from annual Congressional appropriations and has historically been less than the annual total program apportionments authorized by TEA-21 and predecessor legislation.

**PEB** – Project Evaluation Board – The board empowered to evaluate and score projects; it is a team of managers from the Alaska Department of Transportation and Public Facilities. There is a board for surface transportation and another for aviation.

**Public Lands Discretionary** – A program administered by the FHWA under Federal Lands Highways for highways on public lands. Alaska can apply for nationwide competitive funds annually.

**Regional Transportation Plan** – Also known as an "area transportation plan", a detailed multimodal plan for a region or geographical area within Alaska prepared by the ADOT&PF. As defined, the regional transportation plans are an element of the SWTP and comprise the recommended projects for the SWTP for a given region. Several regional transportation plans are currently in progress. The plans for Southeast Alaska, Prince William Sound and Yukon-Kuskokwim Area Plans are complete. The Northwest Area Transportation Plan will be complete after public review is finished and assimilated. The Southeast Alaska Transportation Plan is being updated.

**SHAKWAK/Alaska** – Otherwise unusable federal program authorization transferred to a special fund. These funds do not require state match and have no expiration date. SHAKWAK funds, by federal law, are limited to projects for the AMHS and Haines Highway.

**SHAKWAK/Canada** – Special funds available for use on the Alaska Highway and Haines Cutoff in Canada. These funds do not decrease Alaska's share of federal-aid highway funding.

**SIP** – State Implementation Plan – A state (ADEC) prepared plan defining how the NAAQS will be met in areas currently defined by the US EPA as not meeting national standards for air quality. Transportation elements called for in the SIP are eligible for CMAQ funds and must be implemented in the year defined in the SIP.

**STIP** – State Transportation Improvement Program – A staged, multi-year, statewide, intermodal program of surface transportation projects which is governed by surface transportation regulations and funded primarily with surface transportation program funds. The STIP is prepared by ADOT&PF and is approved by FTA and FHWA.

**SwTP** – Statewide Transportation Plan – A federally required plan upon which projects in the STIP are developed. In Alaska the SwTP is a policy plan for the state as a whole. Regional plans are prepared for individual areas of the state, which outline recommended projects and are each an element of the Statewide Plan.

**TCSP** – Transportation and Community and System Preservation Program – A discretionary grant program providing funds for comprehensive initiative of research and grants to investigate the relationships between transportation and community and system preservation and private sector-based initiatives.

**TEA-21** – Transportation Equity Act for the 21<sup>st</sup> Century – The most current law describing the surface transportation policy of the United States and making program allocations for funding in various categories to the states. The law is valid from 1998 – 2003 and has been extended until March 1, 2004.

**TIP** – Transportation Improvement Program – A subset of the STIP developed by AMATS or FMATS for transportation projects within the MPO boundary.

**"Time Trap"** – By federal highway regulations, a project must proceed to the earlier of construction or right of way acquisition within 10 years. The consequences are that the state may have to repay any expenditures that have been reimbursed.

**TRAAK** – Trails and Recreational Access for Alaska – A program of the ADOT&PF and the Alaska Department of Natural Resources that address trails, scenic highways, recreational access points and interpretive facilities.

# Alaska State Legislature

SENATOR  
**BEN STEVENS**  
716 WEST 4TH AVENUE  
ANCHORAGE, AK  
99501-2133  
(907) 269-0200  
FAX (907) 269-0204

*Session:*  
STATE CAPITOL  
JUNEAU, AK  
99801-1182  
(907) 465-4993  
FAX (907) 465-3872

Senate District X

## MEMORANDUM

Date: January 29, 2004

To: Senator Bert Stedman, Chairman  
Senate Committee on Community & Regional Affairs

From: Senator Ben Stevens *BAS*

Re: Hearing Request for Senate Bill 260

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I respectfully request a hearing for Senate Bill 260, an act relating to metropolitan planning organizations and to the establishment of a metropolitan planning organization for the Anchorage metropolitan area.

SB 260 adds two Anchorage legislators to the policy committee for AMATS, the Anchorage metropolitan planning organization, increasing it from five to seven members. The intention of this legislation is to improve and facilitate the coordination of transportation planning between the municipality, state government and the residents of Anchorage.

*Kristy Tibbles #5078*

# Alaska State Legislature

SENATOR  
**BEN STEVENS**  
716 WEST 4TH AVENUE  
ANCHORAGE, AK  
99501-2133  
(907) 269-0200  
FAX (907) 269-0204

*Session:*  
STATE CAPITOL  
JUNEAU, AK  
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## Senate District X

### Senate Bill 260: Metropolitan Planning Organizations

Federal transportation planning laws require the designation of a metropolitan planning organization (MPO) for urbanized areas with a population of at least 50,000. It requires the State of Alaska and the metropolitan planning organization to coordinate a continuing, cooperative, and comprehensive transportation planning process. The Federal Highway Administration provides the latitude for states and MPOs to establish a policy body, which shall include local elected officials, transportation officials and appropriate state officials. The membership of policy committees vary across the United States, some of which include state legislators.

Alaska currently has two designated metropolitan planning organizations; the Fairbanks Metropolitan Area Transportation System (FMATS) and the Anchorage Metropolitan Area Transportation Solutions (AMATS). Senate Bill 260 establishes metropolitan planning organizations (MPO) under state statute and modifies the makeup of the policy committee for Metropolitan Planning Organizations with a population of greater than 200,000 residents by adding two legislators.

The AMATS policy committee consists of five members: the Mayor of Anchorage, two members of the Anchorage Assembly, and a representative from both the State Departments of Transportation and the Environmental Conservation. To provide a more adequate level and broad range of representation for residents, Senate Bill 260 would add two Anchorage-area legislators to the policy committee; one member each from the senate and house. This increases local representation on the committee from three to five members, which will improve the public process and better inform Anchorage residents. It will also help to facilitate a more coordinated process between the State and Municipality to successfully address Anchorage's transportation needs.

The current process of prioritizing and allocating funding for transportation projects within Anchorage is very difficult to understand and has long been the source of significant discontent among Anchorage residents. It's time to change the process to be more responsive to the needs of the community.

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 1/12/04

FURTHER: Transportation

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/9/04

Community and Regional Affairs Committee considered SENATE BILL NO. 260

### SB 260 METROPOLITAN PLANNING ORGANIZATIONS

"An Act relating to metropolitan planning organizations and to establishment of a metropolitan planning organization for the Anchorage metropolitan area; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**  
 Same Title  
 New Title

**House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

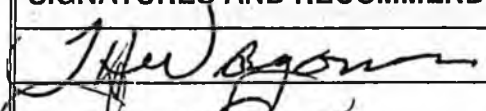
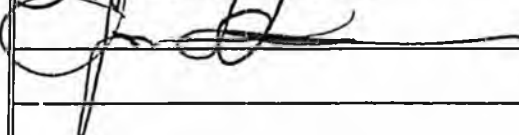
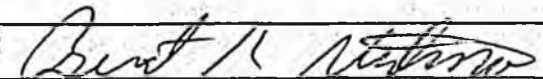
**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DOT	1/25/04			X	1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
	✓			
	✓			
CHAIR: 	✓			

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB260-DOT-CO-1-29-04  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
Title An Act relating to municipal planning RDU Administration & Support  
organizations \_\_\_\_\_ Component Commissioner's Office  
Sponsor B. Stevens  
Requester \_\_\_\_\_ Component No. 530

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: John MacKinnon Phone 465-6973  
Division Deputy Commissioner Date/Time 1/29/04 4:31 PM  
Approved by: John MacKinnon for Mike Barton, Commissioner Date 1/29/2004  
Agency Department of Transportation and Public Facilities

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 260  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Metropolitan Planning Organizations RDU Comm Assist & Ec Dev (119)  
 Component Community Advocacy  
 Sponsor Senator Ben Stevens  
 Requester Senate Community & Regional Affairs Component No. 2743

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation establishes a metropolitan planning organization for Anchorage and designates membership. It has no fiscal impact on the operations of the division.

Prepared by: Gene Kane, Director Phone (907) 269-4580  
 Division Community Advocacy Date/Time 2/6/04 12:41 PM  
 Approved by: Edgar Blatchford, Commissioner Date 2/6/2004  
 Agency Department of Community & Economic Development

SB

266

**SB 266**  
**Limited Mineral Order for Bristol Bay Area**

**Summary:**

- SB 266 ensures that land remains available for a proposed competitive oil and gas sale in the Bristol Bay area by precluding oil and gas exploration licensing and shallow natural gas leasing in the competitive lease sale area.
- SB 266 will:
  - Avoid potential conflicts in land use for these areas later, if the proposed competitive oil and gas lease sale occurs.
  - Ensure that the state receives the maximum economic benefit from its higher potential oil and gas areas through bonus bids, royalties, and lease terms.
  - Help facilitate needed economic development and job creation in Alaska's Bristol Bay region as well as produce property tax revenue for municipalities.

**Background:**

- Upon the request of local governments and Native organizations, the Governor has requested that the Department of Natural Resources consider a competitive areawide oil and gas lease sale in the Bristol Bay (Alaska Peninsula) region. Geologists believe that outside of the North Slope and Cook Inlet, the Alaska Peninsula offers the greatest potential in the state for commercial oil and gas development.
- In order to avoid conflicts between the proposed competitive sale and either exploration licensing under AS 38.05.131-AS 38.05.134 or shallow natural gas leasing under AS 38.05.177, the Commissioner of Natural Resources signed a mineral closing order on July 11, 2003. The mineral order only precludes exploration licensing and shallow natural gas leasing in the competitive lease sale area. This order does not affect locatable minerals or leaseable minerals other than shallow natural gas leasing or oil and gas exploration licensing.
- Under AS 38.05.300(c), a mineral closing order is an interim classification which does not become permanent unless approved by the legislature by the 90<sup>th</sup> day of the next regular session, or adjournment.
- SB 266 would:
  - Prevent speculators from top filing shallow natural gas applications (\$5,000 application fee) in an area of richer oil and gas potential which should be competitively leased.
  - Avoid potential land use and program conflicts if an oil and gas exploration license or shallow natural gas lease is top filed in the proposed competitive sale area.
  - Help maximize economic benefit from the State's higher potential oil and gas areas through royalties, lease terms, and competitive bonus bids.

SB 266



FRANK H. MURKOWSKI  
GOVERNOR

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 12, 2004

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, Alaska 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill approving an interim classification by the commissioner of Natural Resources closing certain land in the Bristol Bay region to oil and gas exploration licensing under AS 38.05.131 through AS 38.05.134 and shallow natural gas leasing under AS 38.05.177. The specific lands affected will be part of a future competitive oil and gas lease sale in the Bristol Bay region. Closure avoids potential conflicts in land use for these areas later, when the proposed competitive oil and gas lease sale occurs.

Under AS 38.05.300(c), a mineral closing order is an interim classification which does not become permanent unless approved by the legislature by the 90<sup>th</sup> day of the next regular session, or adjournment. This legislation will help facilitate needed economic development and job creation in Alaska's Bristol Bay region.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

Enclosure

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES





House District 37



St. Paul  
St. George

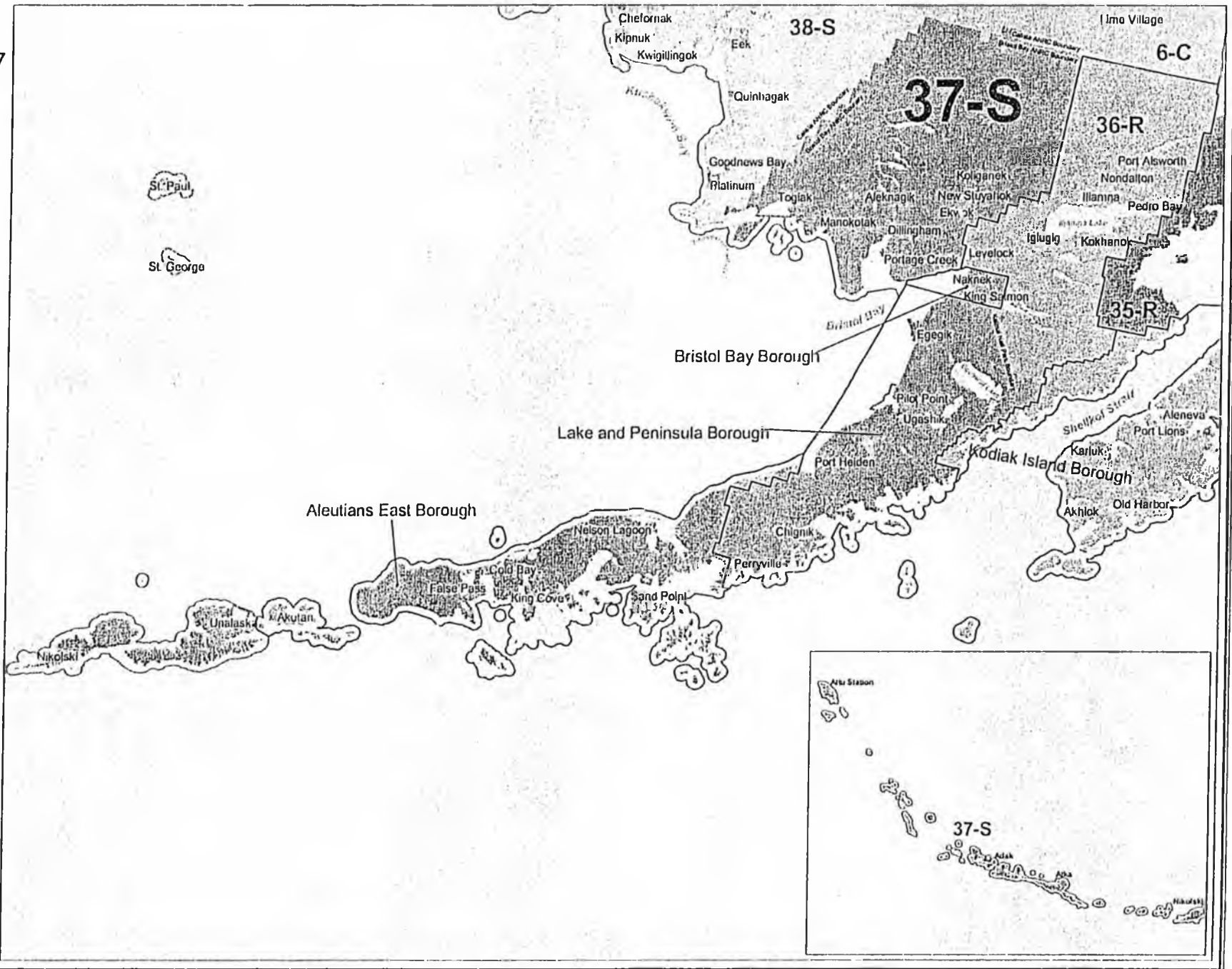
**Legend**

-  Borough Boundary
-  City Boundary

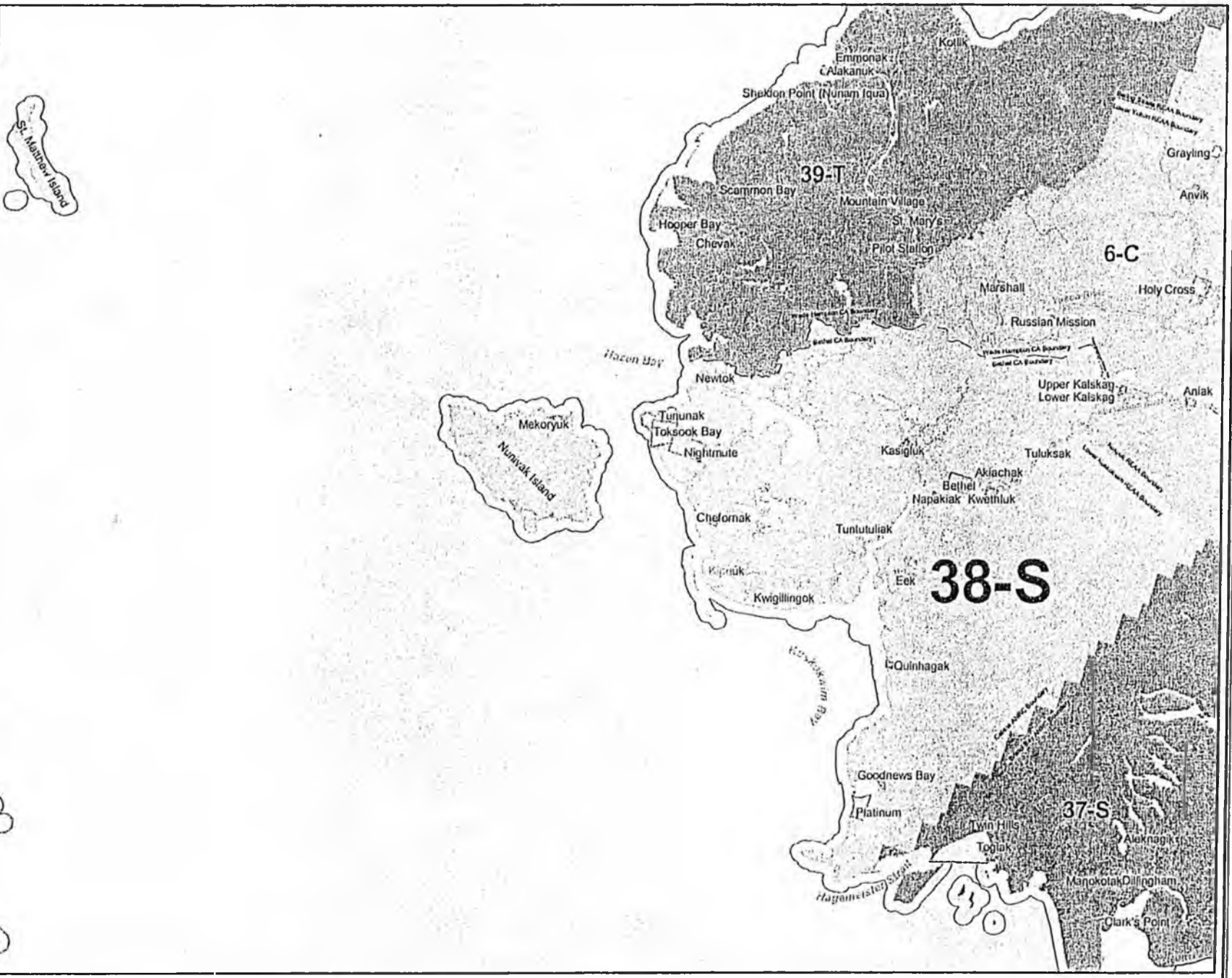


Amendments adopted by  
Alaska Redistricting Board  
April 11 as modified on April 18, 2002

Prepared by  
Alaska Redistricting Board  
May 4, 2002



House District 38



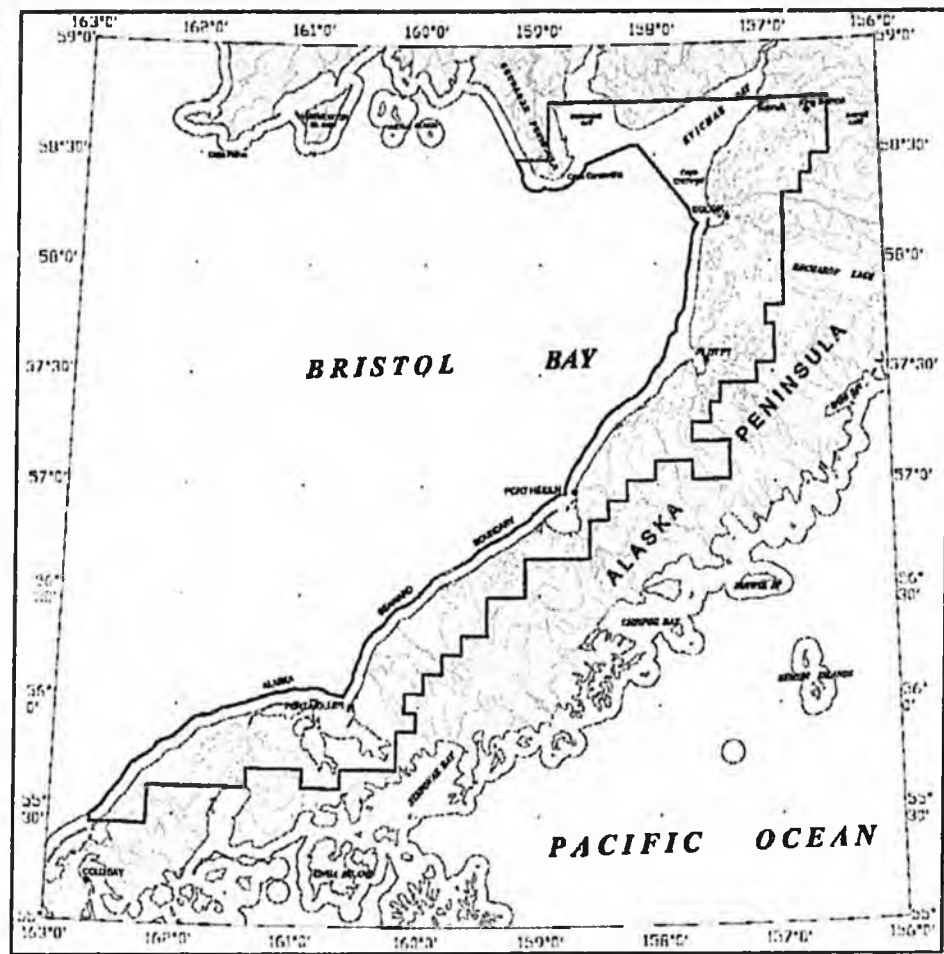
**Legend**

- Borough Boundary
- City Boundary
- Census Area Boundary



Amendments adopted by  
Alaska Redistricting Board  
April 13 as modified on April 18, 2002

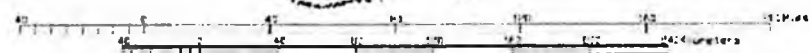
Prepared by  
Alaska Redistricting Board  
May 4, 2002



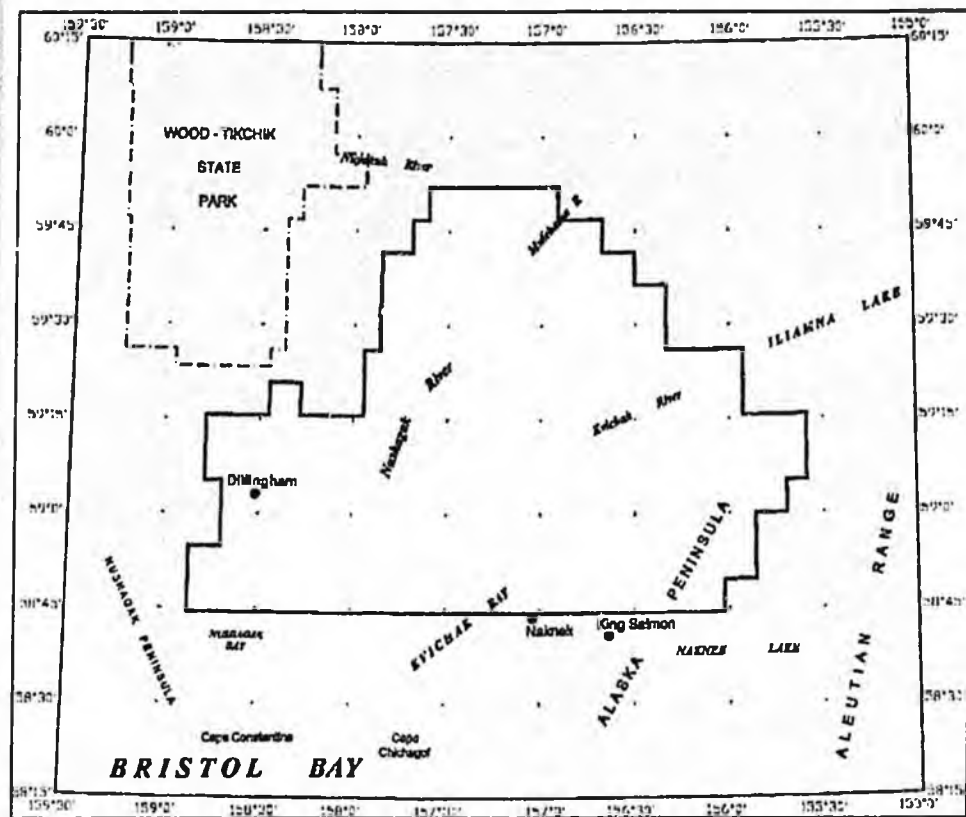
# Proposed Alaska Peninsula Areawide Oil and Gas Lease Sale Area

Proposed AK Peninsula Areawide Oil and Gas Lease Sale

Proposed Sale Area =

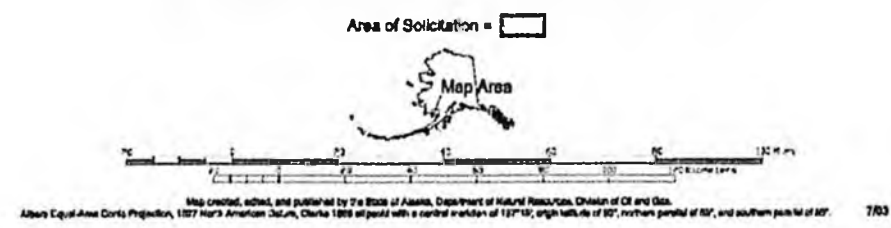


Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas. ADNR 7/03  
 Albers Equal-Area Conic Projection, 1827 North American Datum, Clarke 1866 spheroid with a central meridian of 158°30', origin latitude of 50°, northern parallel of 66°, and southern parallel of 36°.

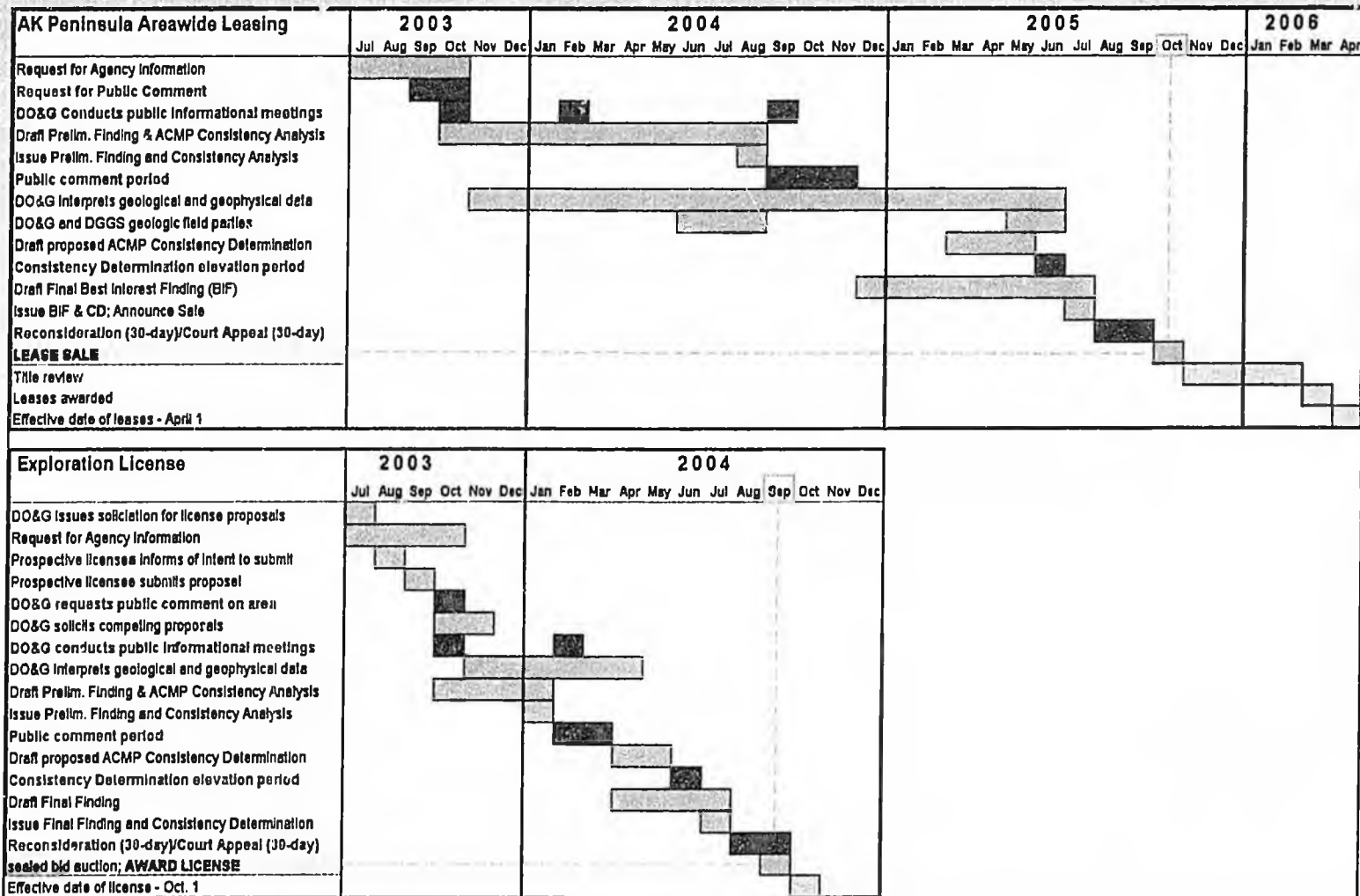


# Bristol Bay Basin Exploration License Study Area

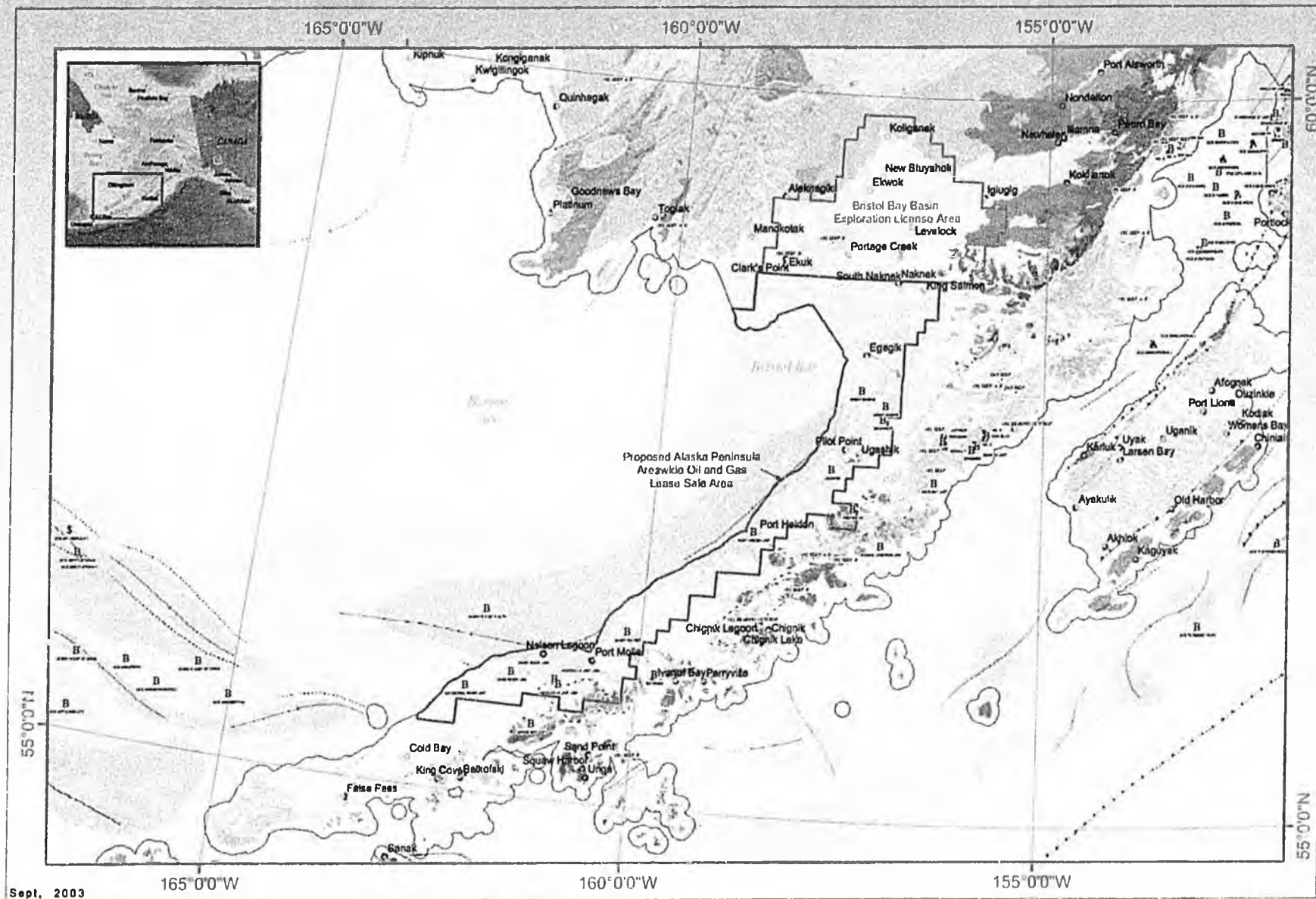
Bristol Bay Basin Exploration License Solicitation



# Alaska Peninsula Areawide Oil and Gas Lease Sale and Bristol Bay Basin Exploration License Timeline



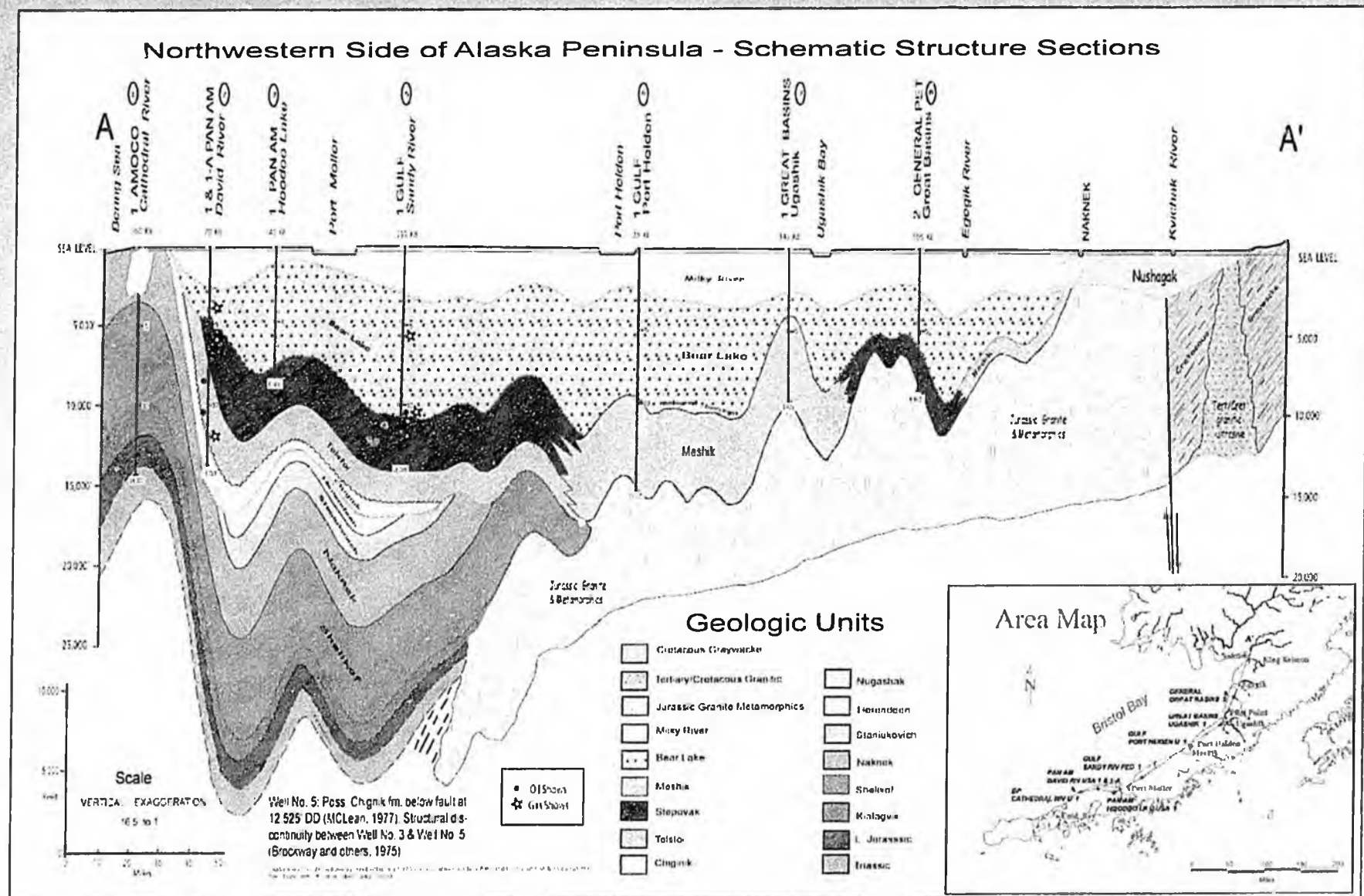
# Alaska Peninsula Geologic Map



Sept, 2003

dwb 09/03

# Alaska Peninsula Geologic Cross Section





# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

- 400 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400  
FAX: (907) 465-3886
- 550 WEST 7<sup>TH</sup> AVENUE, SUITE 1400  
ANCHORAGE, ALASKA 99501-3650  
PHONE: (907) 269-8431  
FAX: (907) 269-8918

RECEIVED  
1/22

January 22, 2004

The Honorable Bert Stedman  
Senate Community and Regional Affairs Committee  
Alaska State Legislature  
Juneau, AK 99801

RE: Hearing Request for SB 266

Dear Senator Stedman:

I am writing to request a hearing the week of January 27, 2004 for SB 266. SB 266 relates to the approval of an interim classification order that closes certain land within the proposed Bristol Bay (Alaska Peninsula) competitive oil and gas areawide lease sale to oil and gas exploration licensing and shallow natural gas leasing. Under AS 38.05.300(c), a mineral closing order is an interim classification which does not become permanent unless approved by the legislature by the 90<sup>th</sup> day of the next regular session, or adjournment.

The bill approves the interim classification by the Commissioner of Natural Resources that closed land in the proposed Bristol Bay (Alaska Peninsula) competitive oil and gas areawide lease sale to oil and gas exploration licensing under AS 38.05.131-38.05.134 and shallow natural gas leasing under AS 38.05.177. Passage of SB 266 ensures that land remains available for the competitive sale program under AS 38.05.180.

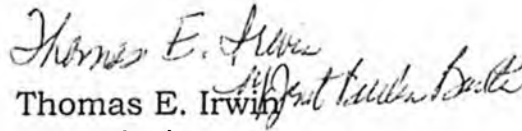
This legislation will help facilitate needed economic development and job creation in Alaska Peninsula. This bill promotes the governor's mission to use natural resource wealth to produce long-term, stable revenue sources for the state, local and property tax revenue for municipalities, and high paying jobs for Alaskans.

*"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."*

Senator Stedman  
Page 2  
January 22, 2004

Thank you for your consideration. Please contact Janet Burleson Baxter at 465-4730 if have any questions. You may also contact Mark Myers, Director of the Division of Oil and Gas or Marie Crosley at 269-8800.

Sincerely,

  
Thomas E. Irwin  
Commissioner

cc: Mike Tibbles, Legislative Liaison, Governor's Office  
Randy Ruaro, Legislative Office  
Mark Myers, Director, Division of Oil & Gas, DNR  
Marie Crosley, DNR



# ALASKA STATE LEGISLATURE

## SENATE COMMITTEE ON COMMUNITY & REGIONAL AFFAIRS

Senator Bert K. Stedman, Chair

Official Business

Senator Tom Wagoner, Vice-Chair  
Senator Kim Elton  
Senator Georgianna Lincoln  
Senator Gary Stevens

State Capitol, Room 30  
Juneau, AK 99801-1182  
Phone: (907) 465-4989  
Fax: (907) 465-3922

---

*February 02, 2004  
1:30 – 3:30 PM  
Fahrenkamp 203*

### AGENDA

#### **I. Call To Order**

#### **II. New Business**

SB 266    Bristol Bay Oil/Gas Lease Sale Closure  
Sponsor: *Mark Meyers, Director Oil & Gas, DNR*

#### **III. Adjourn**



# ALASKA STATE LEGISLATURE

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State Capitol, Room 30  
Juneau, AK 99801-1182  
Phone: (907) 465-4989  
Fax: (907) 465-3922

TO: Senate Secretary  
FROM: Senator Bert Stedman  
DATE: January 28, 2004  
SUBJECT: C&RA Committee Schedule Week of February 2<sup>nd</sup>, 2004

The following is the schedule for the Senate Committee on Community & Regional Affairs for the week of February 2<sup>nd</sup>, 2004:

Feb 2 <sup>nd</sup>	Monday	Fahrenkamp 203	1:30 PM
+*	SB 266 BRISTOL BAY OIL/GAS LEASE SALE CLOSURE		
Feb 4 <sup>th</sup>	Wednesday	Fahrenkamp 203	1:30 PM
+*	SB 250 NATURAL GAS LEASES KACHEMAK BAY & KENAI PENINSULA		
Feb 6 <sup>th</sup>	Friday	No Meeting Scheduled	

Bert K Stedman  
Chairman

+ Teleconferenced  
\* First Hearing



# ALASKA STATE LEGISLATURE

## SENATE COMMITTEE ON COMMUNITY & REGIONAL AFFAIRS

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Fax: (907) 465-3922

---

*February 02, 2004*

*1:30 – 3:30 PM*

*Fahrenkamp 203*

### POTENTIAL WITNESSES

**Mark Meyers**, *Director, Div of Oil & Gas, Dept Natural Resources*

**Shawn Parnell**, *Deputy Director, Div of Oil & Gas, Dept Natural Resources*

Support Staff:

**Janet Baxter** – *Legislative Liaison, Dept Natural Resources*

**Marie Crosley** – *Dept Natural Resources (Via Off-Net)*

**Pirtle Bates** – *Dept Natural Resources (Via Off-Net)*

**Jim Hansen** – *Dept Natural Resources (Via Off-Net)*

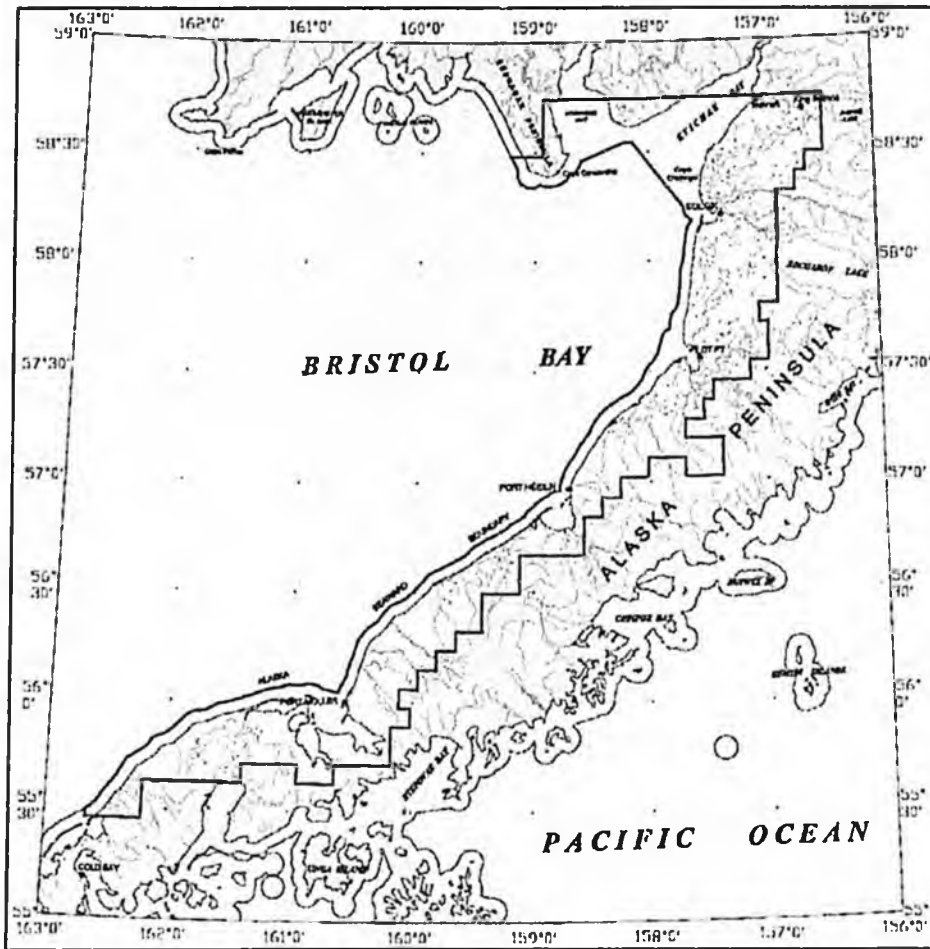
# Alaska Peninsula Oil and Gas Study

Division of Oil and Gas  
September 2003



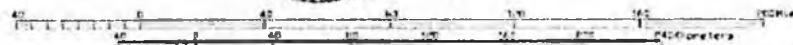
Alaska Department of  
**Natural  
Resources**

*<http://www.dog.dnr.state.ak.us/oil/products/products.htm>*



Proposed AK Peninsula Areawide Oil and Gas Lease Sale

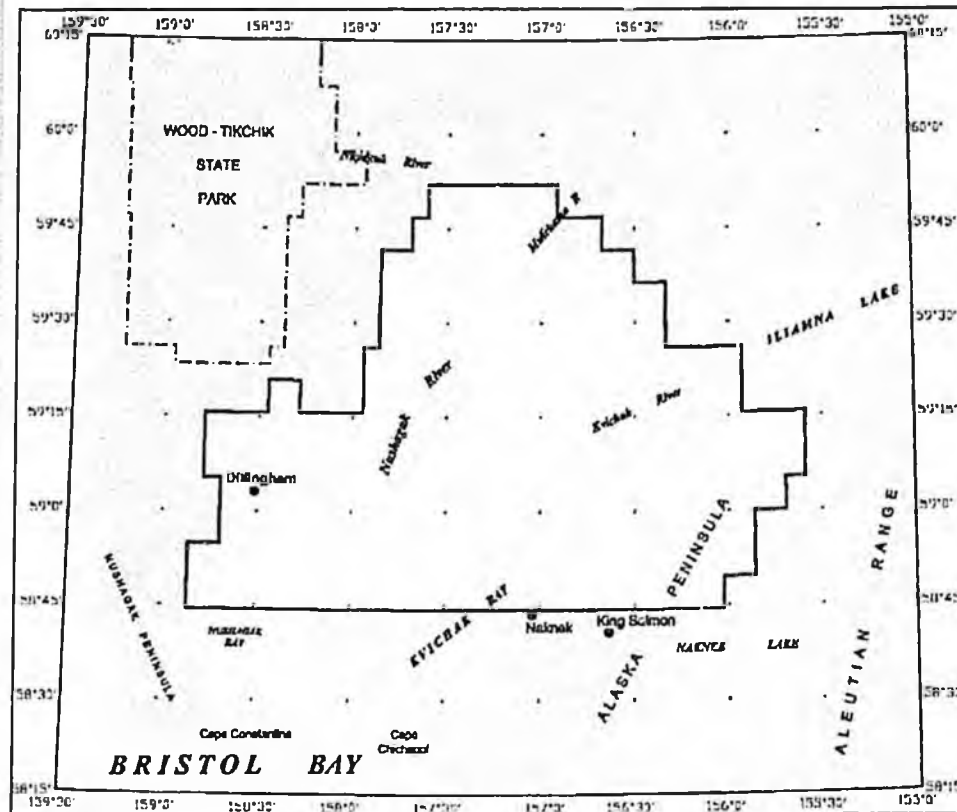
Proposed Sale Area = 



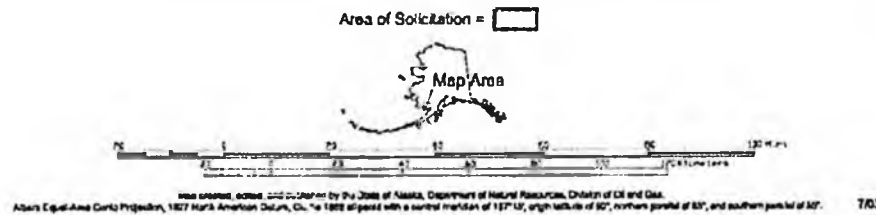
Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas. ADNR 7/03  
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# Proposed Alaska Peninsula Areawide Oil and Gas Lease Sale Area

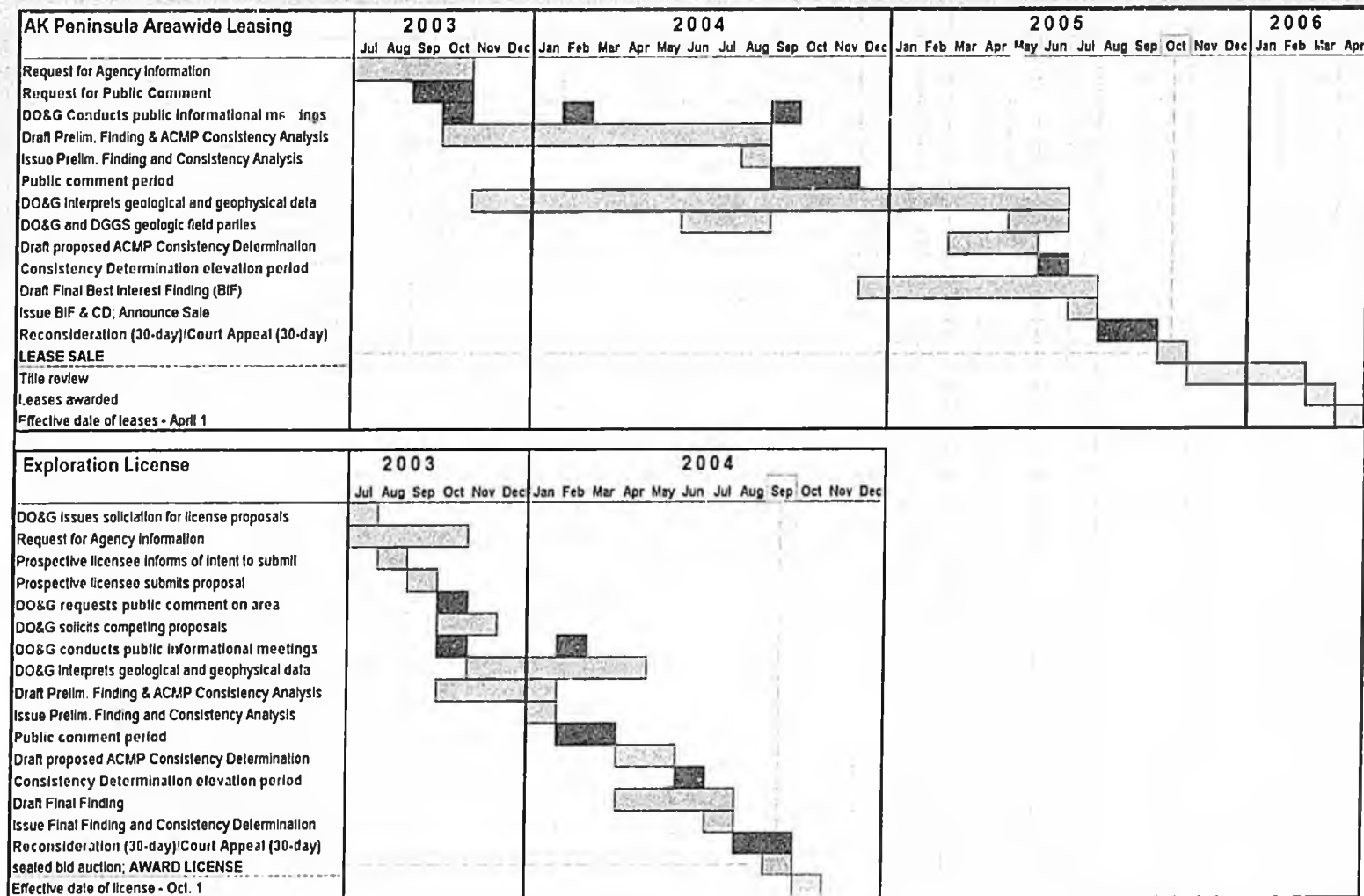
# Bristol Bay Basin Exploration License Study Area



Bristol Bay Basin Exploration License Solicitation



# Alaska Peninsula Areawide Oil and Gas Lease Sale and Bristol Bay Basin Exploration License Timeline

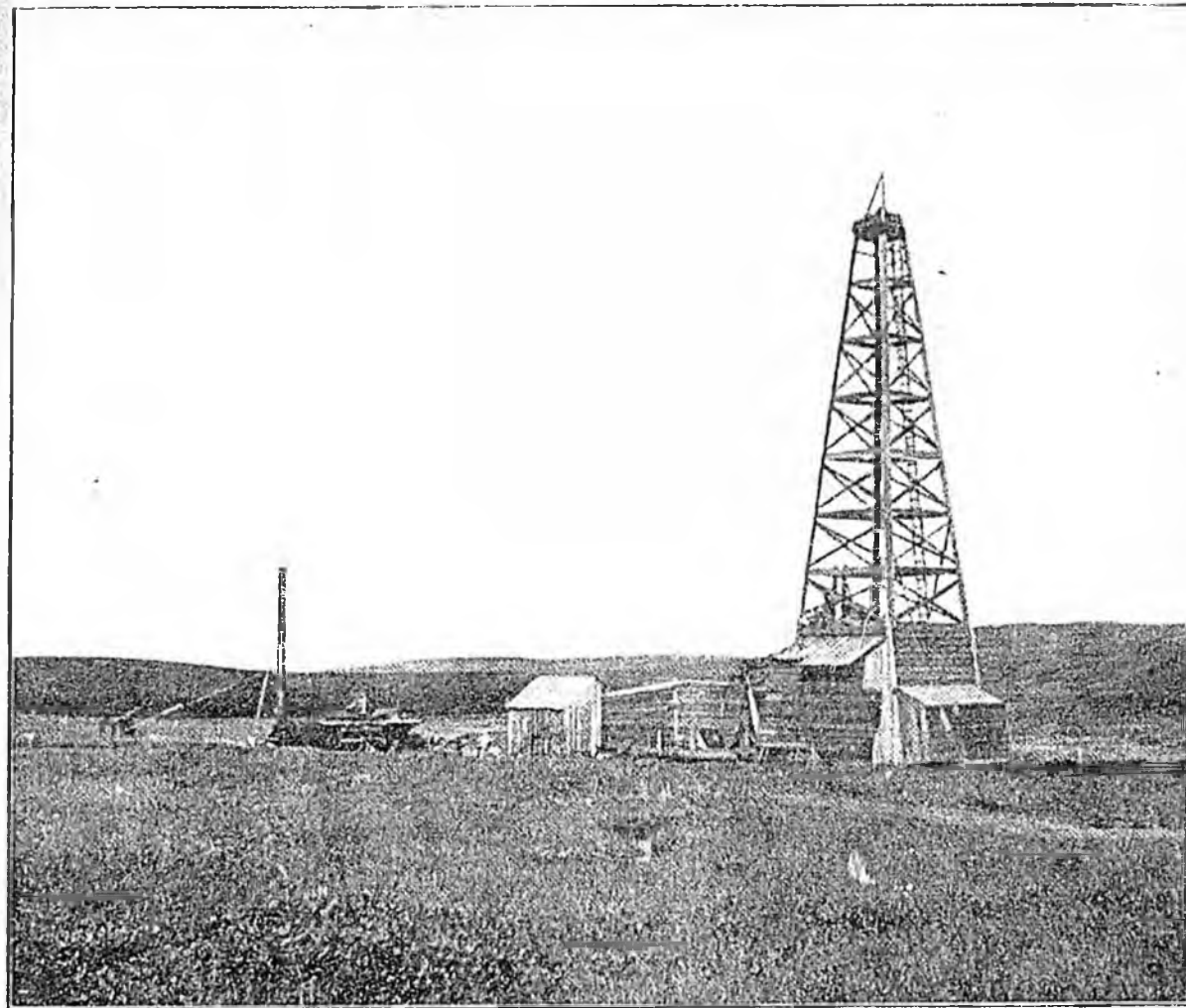


# Onshore Exploration Well Typical Permit Process

Typical Permit Process - Onshore Exploration Well on the AK Peninsula														
ID	NAME	M	J	J	A	S	O	N	D	J	F	M	A	M
1	Preapplication Conference		□											
2*	ACMP Consistency Determination - AS 46.40			■	■	■	■							
3	DNR DO&G - Lease Plan of Operations Review			■	■	■	■							
4	DNR Parks - Cultural Resource Survey		□											
5	DNR DMLW - Temporary Water Use Permit			■	■	■	■							
6	DEC - Oil Spill Discharge and Contingency Plan			■	■	■	■							
7	DEC - Solid Waste Disposal Permit			■	■	■	■							
8	DEC - Wastewater Disposal Permit			■	■	■	■							
9	ADNR - Title 41 Anadromous Fish Stream			■	■	■	■							
10	Army Corps of Engineers - Section 404 Permit			■	■	■	■							
11	AOGCC - Conservation Order							■						
12	AOGCC - Permit to Drill								■					
13	AOGCC - Application for Sundry Approval									□				
14	Construction and Drilling									■	■	■	■	
15	Demobilization and Rehabilitation												■	■

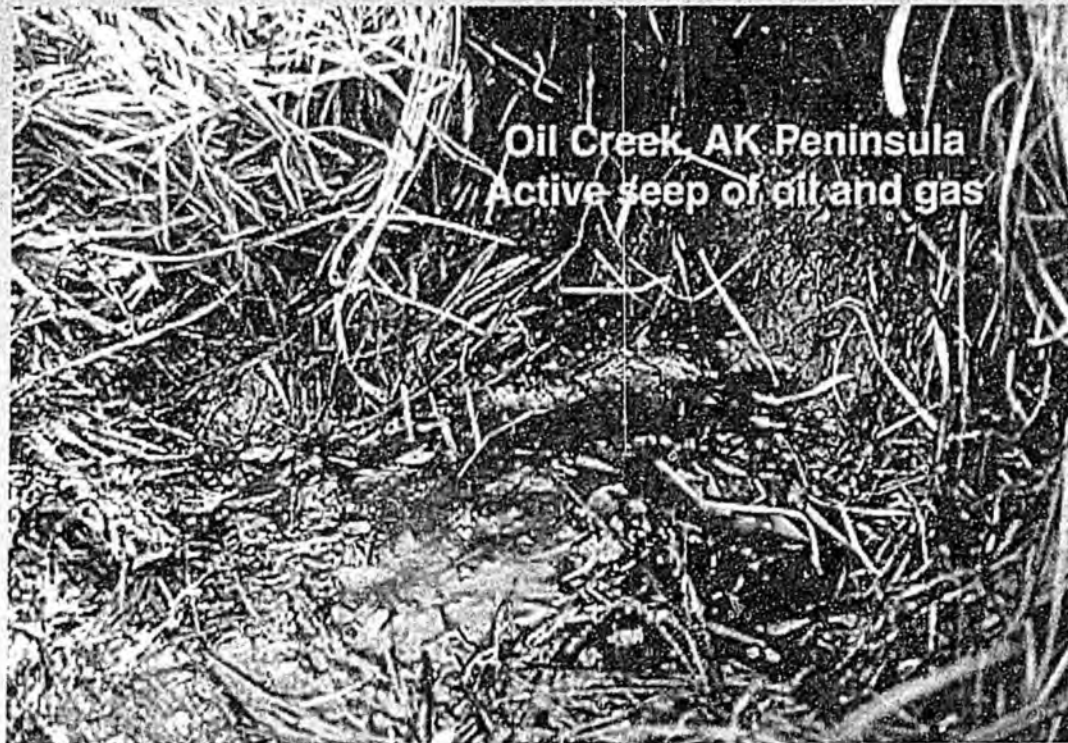
Project: Onshore	Permitting Activity <input style="width: 80%;" type="text"/>	Public Notice <input style="width: 80%;" type="text"/>
Date: 9/03/03	* Only for activity within the Coastal Zone.	

## Oil Derrick at Puale Bay (1903)



The Petroleum Fields of the Pacific Coast of Alaska, USGS Bulletin No. 250, 1905, Plate VII

## Active Oil and Gas Seep

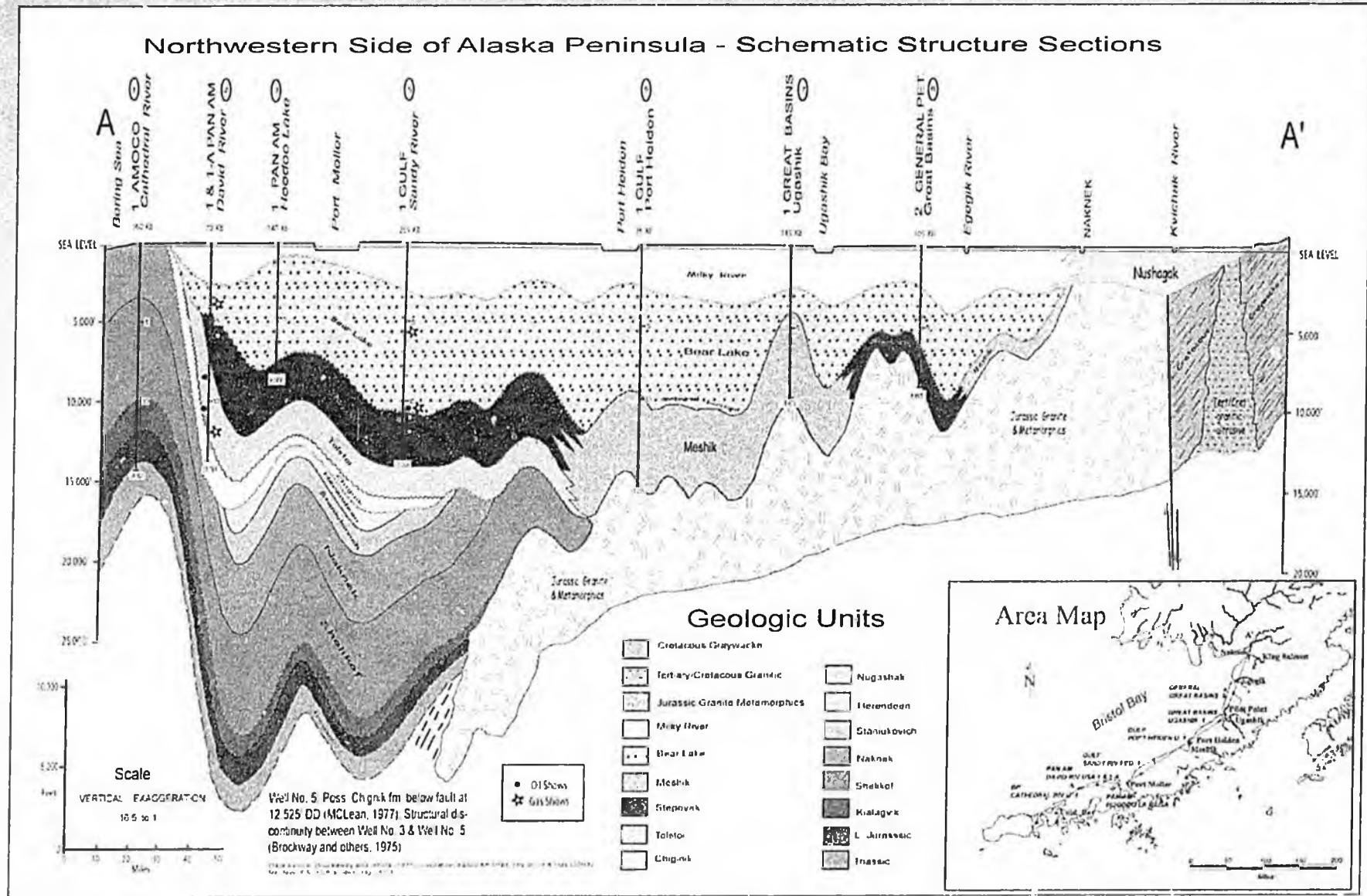


Brown oil and natural gas (fizzy bubbles) comes out of this hole in the ground continuously. There are several oil creeks in Alaska - not a very original name. This particular oil creek feeds into Puale Bay on the western side of the Alaska Peninsula. There is continuous seepage of oil into the creek throughout its upper part. The lower part of the creek is a salmon spawning area where salmon runs are counted by the State of Alaska.



# Alaska Peninsula Geologic Cross Section

Northwestern Side of Alaska Peninsula - Schematic Structure Sections



**COMPOSITE STRATIGRAPHIC SECTION**  
BRISTOL BAY & ALASKA PENINSULA REGIONS, ALASKA

AGE	LITHOLOGY	FORMATION	DESCRIPTION	
CENOZOIC TERTIARY	Quaternary - Recent		Unconsolidated sediments and volcanics <i>Unconformity</i>	
	Volcanics	1000' ±		
	Miley River Fm (Tpm)	3000' ±	Conglomerates, sandstones and mudstones, clastic fraction volcanic derived fossiliferous shallow marine environment <i>Unconformity</i>	
	Boar Lake Fm (Tmb)	5000' ±	Sandstones, conglomerates and thin mudstones, locally volcanic derived, locally fossiliferous, transitional environment	
	Unga Cgl Mbr. (Tmbu)		Sandstones and conglomerates with interbedded siltstones, mudstones and coals, fossiliferous, transitional environment <i>Local Unconformity</i>	
CENOZOIC TERTIARY			Volcanic sandstones and conglomerates with interbedded thin units of black siltstone, all rock types locally carbonaceous with seams of lignite in upper part of sequence, locally highly fossiliferous, volcanic flows near base of unit and silt rare throughout, predominantly of marine origin	
		Mamuk Fm. (Tcm)	Volcanic conglomerates, sandstone, volcanic breccias, andesitic-basaltic extrusive volcanics or local siltstone and shale present on surface and in sub surface from Chignik Bay northwest to Ugashik lakes areas, probably equivalent to the Stupoval Fm. formations and upper part of Tosta Formation	
		Tatal Fm. (Tat)	Siltstones with interbedded volcanic sandstones and conglomerates, flows, silt and volcanic breccia, non-marine to brackish water environment, marine fossils are rare, plant fossils common and very abundant in lower part of sequence <i>Unconformity</i>	
LATE CRET		Hoodoo Fm (Kht)	Siltstone, clay shale, claystone with fine grained sandstone in base, thin streaks of calcareous siltstone and few calcareous concretions, distinctive black to gray clay, and weathering into profusion of prismatic, columnar, subconformal to deep marine environment	
		Chignik Fm (Kc)	1500' ±	Sandstone, siltstone and minor mudstone and conglomerate, shallow marine environment
MESOZOIC LATE JURASSIC		Cool Valley Mbr. (Kcc)	1000' ±	Conglomerates, sandstone and coal, non marine environment <i>Unconformity</i>
		Stamukovich Fm (JKa)	2000'	Felspathic sandstones and arkoses, thin siltstones, locally abundant Bucha shallow marine in origin
		Naknek Fm (Jn)	5000' to 10,000'	Claystone and siltstones predominate in upper part of unit, lower part of unit consists largely of felspathic sandstones with some interbedded claystone, siltstone and conglomerate, locally abundant Bucha and teleosts, shallow marine to lentic environment
		Chuk Cgl Mbr (Jnc)	400'	Pebble to boulder conglomerate of largely granitic debris at base of Naknek Formation, outcrops north of Bristol Bay area
		Siltstone	1800' ±	Siltstone and shale, with lenses of limestone, abundant fossils, marine environment
MESOZOIC MIDDLE JURASSIC		Shelikof Fm. (Jf)	7000' ±	Sandstone, siltstone and conglomerate, marine environment
		Silt & Cgl	4000' ±	Siltstone, sandstone, sandstone, ash beds with abundant calcareous concretions and fossils, marine environment <i>Unconformity</i>
		Rhinograd Fm. (Jr)	1700'	Sandstone, sandy shale and conglomerate, becoming increasingly sandy near top of unit, fossiliferous, marine environment <i>Unconformity</i>
	Early Jurassic, Triassic and Permian sediments & Early Jurassic granitic rocks		Limestone, chert, volcanic-rich rocks, outcrop at Puke Bay northward	

# Alaska Peninsula Stratigraphic Section

# **Alaska Peninsula/ Bristol Bay Basin Hydrocarbon Potential**

- **Numerous oil seeps are present along the southern half of the Alaska Peninsula.**
- **26 wells have been drilled onshore since 1903, the latest being the Amoco Becharof #1 in 1985. One offshore stratigraphic test was drilled in 1983, the ARCO North Aleutian COST Well #1.**
- **The northern half of the Alaska Peninsula is a low relief coastal plain underlain by a thick sequence (18,000+ feet) of Tertiary strata that is contiguous with the Bristol Bay Basin to the north. Here the setting is very good for both structural and stratigraphic traps as well as the likelihood of encountering good to locally excellent reservoir quality rocks.**

# **Alaska Peninsula/ Bristol Bay Basin Hydrocarbon Potential**

- **Reservoir quality should be considered the highest risk as rocks derived from volcanic and plutonic source areas may give rise to pore plugging cements and clays.**
- **Oil and gas shows are evident in many of the wells. No commercial flow of oil has been proven to date.**
- **Hydrocarbon source rocks of Tertiary age appear to be largely gas prone. Deeper Mesozoic strata may have both gas and oil generating potential.**
- **Seismic control on the Alaska Peninsula is largely poor and archaic. Latest technology in seismic acquisition and processing is needed to further define prospects.**

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